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LOCAL DEVELOPMENT PAPER NO. 12

Canadian Regional Development: The Urban Dimension

by

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RÉSUMÉ

Les politiques traditionnelles en matière de développement régional au Canada présentent au moins deux grandes lacunes. Premièrement, les initiatives de développement économique régional ont été la chasse gardée, pour ainsi dire, des paliers de gouvernement supérieurs, et surtout du gouvernement fédéral. Ainsi, les initiatives ont souvent été imposées par Ottawa plutôt qu'élaborées et financées, ne serait-ce qu'en partie, par les populations locales. Pour cette raison, beaucoup de politiques et programmes de développement régional n'ont pas été suffisamment adaptés aux besoins et au potentiel de chaque région. Deuxièmement, les politiques traditionnelles ont généralement négligé la dimension urbaine de la vie économique au Canada.

En proposant un modèle de développement économique régional explicitement urbain, la présente monographie tente de combler, au moins en partie, les lacunes mentionnées plus haut.

Pour bien situer leur modèle, les auteurs de cette monographie brossent un tableau de la situation actuelle au Canada où, après une brève interruption au cours des années 70, l'urbanisation poursuit sa marche. Ils font ensuite le point sur la pensée européenne et américaine en matière de développement régional, laquelle privilégie davantage les programmes de nature locale et urbaine. Les auteurs examinent aussi les récents projets publics de renouveau urbain réalisés au Canada afin d'en tirer des "leçons" applicables aux initiatives futures. Avant d'aborder les moyens d'évaluer ce genre d'initiatives, ils tentent de décrire le cadre institutionnel, économique et politique dans lequel ces critères seraient utilisés. Enfin, la conclusion de cette monographie propose une série de critères pour l'évaluation des initiatives futures de développement économique urbain.

ABSTRACT

Traditional approaches to Canadian regional development policy have been deficient in at least two critical respects. First, regional economic development initiatives have been the virtually exclusive preserve of the senior levels of government, usually the federal one. This has inevitably led to the promulgation of "top-down" initiatives generated in Ottawa, rather than on "bottom-up" strategies formulated and even partly funded by local communities themselves. The unfortunate result has not infrequently been regional policies and programs which are insufficiently sensitive to local requirements and opportunities. The second deficiency of the traditional approaches has been that they have, on the whole, paid insufficient attention to the urban dimension of Canadian economic life.

The present monograph attempts to redress these deficiencies, at least in part, by proposing a model of regional economic development which is explicitly urban-based.

In formulating this model, the monograph first examines the realities of the contemporary Canadian situation, where, after a brief respite in the 1970s, the national urbanization trend has continued apace. The monograph next reviews some of the current thinking in Europe and the United States about economic development, most of which places an increased emphasis on local, urban-based approaches. The recent Canadian experience with major, publicly-initiated urban redevelopment projects is also examined at some length, with a view to extracting some "lessons" for future initiatives. Before proposing criteria against which such initiatives might be judged, however, the monograph attempts to sketch the outlines of the institutional, economic and political environment with which they would have to contend. The monograph concludes by suggesting a number of criteria by which future urban economic development initiatives might be judged.

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FOREWORD

The purpose of the Economic Council's project on Directions for Regional Development was to look at situations in which local communities had assumed more responsibility for their own development, and to see what lessons could be learned from these experiences. Fourteen case studies were undertaken, while a number of Issue Papers examined subjects of general concern to communities and development practitioners. The research was deliberately designed to be different from work typically undertaken by the Council in the past. The primary task was to collect instructive evidence, and to verify it where possible by drawing upon existing evaluation studies. The authors were not expected, for example, to undertake the extensive data collection needed to do cost-benefit studies. Rather, they were asked to capture the diversity of the local development experience in Canada.

The results of the research are being reported in a special collection of Local Development Papers. Recent and forthcoming releases in this collection are listed at the end of this document. An overview of the findings from these cases and Issue Papers will be presented in a paper entitled Developing Communities: The Local Development Experience in Canada.

A subsequent phase of the project will analyze the context within which local development initiatives take place and evaluate their actual and potential impact on reducing regional disparities.

This Paper presents one of the Issue Papers produced by the Directions for Regional Development project under the direction of Dal Brodhead.

Like the case studies, these Issue Papers arose out of the project team's research and consultations with community development workers, government officials, women's groups, business people, non-profit organizations, and many others across Canada. A unique feature of the project was its regional orientation through the use of three regional consultants who played a major role in the development of the case studies and issue papers and in the consultation process. Equally important were the numerous joint research ventures undertaken with a wide range of regionally based partners.

Our work in the first part of the project suggests that programs sensitive to the needs of individual communities and based on some type of partnership between government and local groups may make a contribution to economic development in Canada's diverse regions. In particular, our research suggests that communities have an important role to play in identifying development priorities and the particular skill requirements of individuals and local businesses. They also indicate that such "bottom-up" strategies

can be assisted by a Local Development Organization (LDO), whose mandate is sufficiently broad and constituency base sufficiently large to enable it to take a long-term development perspective. An important feature of "bottom-up" community development strategies is their focus on community capacity-building aimed at increasing local self-reliance and innovation.

The issues on which we have chosen to focus illustrate a number of the ways in which Canada's communities have mobilized their available human, financial, and material resources to help assure a future for themselves. We believe that the resulting papers will be of value both to community and regional development practitioners and to regional policy-makers at all levels of government.

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1 INTRODUCTION

Conventional approaches to Canadian regional development have, in our view, been deficient in at least two important and interrelated respects. The first problem is that traditionally (if not constitutionally), regional development initiatives have been the virtually exclusive preserve of senior levels of government. (To go even further, more often than not, the "senior government" in question has tended to be the Government of Canada.) The result has been a marked emphasis on "top-down" initiatives promulgated from Ottawa, rather than on "bottom-up" strategies and programs formulated and even partly funded by local communities themselves.[1]

The second deficiency - and it is a direct concomitant of the first - is that despite a wide variety of both theoretical and practical approaches to regional development, few of these approaches have focused explicitly on the urban dimension of the Canadian regional and political reality.[2] This is not to argue that the federal government has abandoned Canadian cities altogether. On the contrary, its line departments continue to spend hundreds of millions of dollars annually in cities as a matter of course. The difficulty from a broader regional development perspective, however, is that these expenditures are almost entirely uncoordinated, either horizontally or vertically,

with those of other levels of government, and potential synergies are thereby missed.

To be fair, the federal government did create the late and largely unlamented Ministry of State for Urban Affairs (MSUA) in the early 1970s, precisely for the purpose of coordinating federal policy in Canadian urban centres. And MSUA did succeed in elevating both the quality and the focus of government thinking on urban problems. It can even be accurately credited with encouraging a certain level of intergovernmental cooperation on urban questions. Ultimately, however, MSUA suffered from a fatal structural and political weakness: it was utterly unconnected to the actual machinery of program delivery and expenditure of any of the federal line departments, conspicuously including DREE. MSUA lacked the mandate, budget, machinery, staff, and political support required to actually do anything, and as a result had a negligible impact on urban economic development and on urban outcomes generally.[3] MSUA's demise in the late 1970s, coupled with DREE/DRIE's continued focus outside the urban areas, has meant that the federal government has had, virtually without exception, neither the conceptual nor the programmatic instruments with which to focus on urban economic development. To the extent that there has been a coherent concept of Canadian regional development at all, it has been one which has, until very recently, conspicuously lacked an urban dimension.

Nor, for their part, have Canadian local governments been of much help either. Like their counterparts in other Western countries, Canadian local governments have, for the most part, studiously avoided any active, coherent, or interventionist role in economic development.[4] Stymied by a lethal combination of limited financial resources, inadequate or non-existent legal powers, and above all by an enervating ideology of anti-interventionism, Canadian urban governments have traditionally adopted a profoundly minimalistic interpretation of their responsibilities.[5] The economic development sphere has proved to be particularly forbidding policy terrain; until very recently, local government activity in this area has been minimal and tentative, and even today economic development consumes barely one-third of one per cent of total municipal spending in Canada.[6]

This monograph began with the observation that both the practice and the analysis of regional development in Canada have historically lacked at least two important characteristics: an explicit urban dimension, and the active participation and leadership of local government. This said, it must also be conceded that, recently, there have been embryonic but encouraging signs that this situation may be beginning to change. There is increasing evidence that new, urban-based intellectual and programmatic approaches to regional development are now gaining greater currency.[7] One such approach, that proposed by the authors of this monograph, subsumes four essential elements:

- the redefinition of regional economic development in a way which explicitly recognizes the potential economic contribution of urban development;

- the redefinition of urban development itself in a way which transcends a narrow preoccupation with physical development and also addresses economic and social development;

- the assumption by Canadian local governments of a more aggressive leadership role with respect to economic development; and,

- the redefinition of the institutional context of economic development in a way which explicitly acknowledges and emphasizes its increasingly inter-governmental character.

Before returning to this model, we will first review the changing dynamics of Canadian urbanization and then evaluate the growing body of empirical experience with urban-based economic development strategies upon which the new model is based.

NOTES TO CHAPTER 1

1 This is by no means a novel critique. There is no shortage of critical analyses of the federal government's efforts over the years to promote regional economic development and reduce socio-economic disparity. See, for example, the special issue, "Public Policy: Urban and Regional Issues," The Canadian Journal of Regional Science, Vol. V, No. 1 (Spring 1982); Donald Savoie, "The Toppling of DREE and Prospects for Regional Economic Development," Canadian Public Policy, Vol. X, No. 3 (September 1984); Donald Savoie, Regional Economic Development: Canada's Search for Solutions (Toronto University of Toronto Press, 1986); and N. Harvey Lithwick, "Regional Development Policies: Context and Consequences," in Still Living Together: Recent Trends and Future Directions in Canadian Regional Development, ed. W.J. Coffey and M. Polèse (Montreal: Institute for Research and Public Policy, 1987).

2 See, as a recent example, the Coffey-Polèse book cited in Note 1. It contains an extensive analysis of Canadian regional economic development policies, practices and prospects. Yet, despite its 450 pages of extensive and incisive analysis, there is scarcely any explicit recognition of the role played by urban economies in regional development. One short but useful article that does take an urban approach is Larry S. Bourne, "Regional Policy in Canada: An Urban System Perspective," The Canadian Journal of Regional Science, Vol. V, No. 2 (Autumn 1982).

3 For two interesting but widely divergent interpretations of the MSUA interlude, consult L.D. Feldman, "Co-ordination of Control: The Life and Death of the MSUA," in The Politics and Government of Urban Canada, ed. L.D. Feldman, 4th edition (Toronto: Methuen, 1981); and H.P. Oberlander and A.L. Fallick, eds., The Ministry of State for Urban Affairs: A Courageous Experiment in Public Administration (Vancouver: University of British Columbia Press, 1988).

4 L. Gertler, "Revitalizing Urban Areas", (Paper prepared for OECD Group on Urban Affairs, Ministerial Meeting, Paris, October 1986).

5 See Plunket, 1978, 1986. See Kiernan, 1983, 1988, and Alan F.J. Artibise, "Activating Municipal Government: Developing an Explicit, Dynamic and Synergetic Role for Canada's Towns and Cities" (Unpublished paper presented as Keynote Address to Government Finance Officers' Association, Western Canadian Conference, Winnipeg, September 1986).

6 Gertler, 1988.

7 One of the first commentators to make explicit the connection between urban development and regional economic development was Jane Jacobs. See Cities and the Wealth of Nations: Principles of Economic Life (New York: Random House, 1985). Other academic and institutional references are noted in the following section.

2 THE CHANGING FACE OF URBANIZATION IN CANADA

BACKGROUND

In the late 1970s and early 1980s, many observers of the Canadian urban scene noted that Canada seemed to be entering a new era that was labelled "post-urbanization." The 1970s were the first decade in Canada's history to record a faster rate of growth in rural areas than in urban areas. Figures from the 1981 census indicated that between 1976 and 1981, Canada's rural population grew by nearly nine per cent, almost double the urban growth rate of five per cent. In the same vein, it was noted that the rate of growth in Canada's major metropolitan areas (CMAs with populations of more than 100,000) was also slowing since between 1971 and 1981 the CMAs accounted for only one per cent more of the country's total population (an increase from 55 per cent to 56 per cent).[1]

These trends were taken as a definitive indication that Canada was entering a new era of counter-urbanization, and that this provided a welcome opportunity for the nation. As Professor Larry Bourne noted in 1978,

> Throughout the 1960s and the early 1970s, academic researchers, politicians, and federal government departments, such as the Ministry of State for Urban Affairs, took the public position that Canada's major urban problem was the rapid growth of the three largest metropolitan areas, Toronto, Montreal and Vancouver. The rapid growth of these cities was, in the words of the Minister responsible for urban affairs at the time,

> 'bleeding the rest of the nation of its productive population' .... The view that these cities were growing too fast, and at the expense of the nation was (and is) magnified by the prevailing Canadian mystique that big cities are somehow inherently bad... Most European researchers and governments, on the other hand, seem to be more aware of the important role played by large cities in an increasingly competitive economic system.[2]

CURRENT TRENDS

The view that Canada was entering a post-urbanization era proved short-lived, however. The 1986 Census indicated that while growth rates had slowed, urbanization[3] was continuing and, even more significantly, growth was most evident in the larger metropolitan centres. By 1986, there were 28 metropolitan areas in Canada with populations of 100,000 or more as compared with 22 in 1971, 24 in 1976, and 24 in 1981.[4] As well, the portion of the population that lived in major centres had increased from 56 per cent in 1976 to 61 per cent in 1986 (see Table 1).[5] Also notable, in terms of the short-lived "counter-urbanization" trend, was the fact that large centres (those with populations greater than 100,000) were growing faster than were middle-sized centres of 50,000 to 100,000, a reversal of the 1976-1981 trends (see Tables 1 and 2). Downtown living was becoming increasingly attractive and fashionable, commuters were beginning to tire of spending several hours each day in trains, subways, and automobiles, and energy

Table 1

Growth in Canada's Major Metropolitan Areas, 1976-1986

Rank 1986	Rank 1981	Rank 1976	Metropolitan Area	Population			Percentage change	
				1976	1981	1986	1976-1981	1981-1986
1	1	1	Toronto	2,803,101	2,998,947	3,427,168	7.0	14.3
2	2	2	Montreal	2,802,547	2,828,349	2,921,357	0.9	3.3
3	3	3	Vancouver	1,166,348	1,268,183	1,380,729	8.7	8.9
4	4	4	Ottawa-Hull	693,288	717,978	819,263	3.6	14.1
5	5	6	Edmonton	556,270	657,057	785,465	8.1	19.5
6	6	9	Calgary	471,397	592,743	671,326	25.7	13.3
7	7	5	Winnipeg	578,217	584,842	625,304	1.2	6.9
8	8	7	Quebec	542,158	576,075	603,267	6.3	4.7
9	9	8	Hamilton	529,371	542,095	557,029	2.4	2.8
10	10	10	St. Catharines-Niagara	301,921	304,353	343,258	0.8	12.8
11	12	12	London	270,383	283,668	342,302	4.9	20.7
12	11	11	Kitchener	272,158	287,801	311,195	5.8	8.1
13	13	13	Halifax	267,991	277,727	295,990	3.6	6.6
14	15	15	Victoria	218,250	233,481	255,547	7.0	9.5
15	14	14	Windsor	247,582	246,110	253,988	-0.6	3.2
16	18	19	Oshawa	135,196	154,217	203,543	14.1	32.0
17	19	20	Saskatoon	133,793	154,210	200,665	15.3	30.1
18	16	17	Regina	151,191	164,313	186,521	8.7	13.5
19	17	18	St. John's	145,400	154,820	161,901	6.5	4.6
20	21	21	Chicoutimi-Jonquiere	128,643	135,172	158,468	5.1	17.2
21	20	16	Sudbury	157,030	149,923	148,877	-4.3	0.7
22	22	26	Sherbrooke	110,595	125,183	129,960	13.2	3.8
23	27	27	Trois-Rivières	106,031	111,453	128,888	5.1	15.6
24	25	24	Kingston	114,069	114,982	122,350	0.8	6.4
25	24	23	Thunder Bay	119,253	121,379	122,217	1.8	0.7
26	26	25	Saint John	112,974	114,048	121,265	1.0	6.3
27	23	22	Sydney	124,069	122,837	119,470	-1.0	-2.7
28	28	28	Moncton	95,647	98,346	102,084	2.8	3.8
Average percentage change							5.9%	10.0%

Source Statistics Canada, Final Population Counts, 1976 and 1981, Census Metropolitan Areas (Ottawa, 1982); and Statistics Canada, Census Metropolitan Areas, Population (Ottawa, 1987). It must be noted that boundary changes in many communities account for some of the changes. Nevertheless, the general pattern indicated here is accurate enough when used simply to indicate trends.

Table 2

Growth in Canada's Middle-Sized Regional Centres, 1976-1986

City	Population		Percentage Change	Population	Percentage Change
	1976	1981	1976-1981	1986	1981-1986
Brantford	82,811	88,350	6.7	90,521	2.5
Kelowna	65,207	83,237	30.7	89,730	5.3
Belleville	46,364	83,482	84.2	87,530	2.4
Peterborough	84,116	83,692	1.9	87,083	1.6
Guelph	74,573	78,456	5.2	85,962	9.6
Sarnia	81,342	83,951	3.2	85,700	2.1
Sault Ste. Marie	84,886	86,962	2.5	84,617	-2.7
Barrie	54,493	61,271	12.4	67,703	10.5
Prince George	59,929	67,559	12.7	67,621	0.1
Shawinigan	63,180	63,352	0.3	61,965	-2.2
Kamloops	59,172	64,997	9.8	61,773	-5.0
Nanaimo	48,691	57,694	18.5	60,420	4.7
Saint-Jean-sur Richelieu	56,208	58,175	3.5	59,958	-3.1
Lethbridge	47,286	54,558	15.4	58,841	7.9
North Bay	57,109	57,847	1.3	57,422	-0.7
Drummondville	52,608	54,679	3.9	56,283	2.9
Red Deer	32,503	46,393	42.7	54,425	17.3
Charlottetown	41,497	50,995	22.9	53,868	5.6
Cornwall	52,996	52,062	-1.8	51,719	-0.7
Granby	42,824	48,150	12.4	51,176	6.3
Medicine Hat	41,428	49,645	19.8	50,734	2.2
Chilliwack	37,525	48,930	30.4	50,288	2.8
Average Percentage Change			14.8%	-	3.6%

Source Statistics Canada, Final Population Counts, 1976 and 1981, Census Metropolitan Areas (Ottawa, 1982); and Statistics Canada, Census Metropolitan Areas, Population (Ottawa 1987). It must be noted that boundary changes in many communities account for some of the changes. For example, Belleville, Ontario's apparently extraordinary growth rate (84%) between 1976 and 1981 was due mainly to the annexation of surrounding municipalities such as Trenton, Sidney and Murray. Nevertheless, the general pattern indicated here is accurate enough when used simply to indicate trends.

costs were once again starting to serve as a brake on the exurban exodus.

Despite this evidence, senior governments in Canada generally continued to ignore the urban dimension of economic development. In the early 1980s, urban issues had, to say the least, a very low profile. One perceptive observer characterized the state of Canadian urban affairs as follows:

- no explicit or implicit government policy or statement of a public nature, federal, provincial or local in origin, exists with regard to national settlement patterns.

- no federal department or agency is responsible for vigorously evaluating or fully coordinating the impact of federal policies and programs on individual urban centres.

- no documentation exists which instructs or guides federal line departments with regard to respecting or incorporating any aspects of the urbanization process in the formulation, implementation and evaluation of sectoral policies.

- only a few provinces even casually pursue development policies which are cognizant of and sensitive to what urbanization processes mean to those policies, and vice versa.

- urban centres are routinely ignored and precluded [sic] from federal-provincial meetings.

- no comprehensive models of national (or even provincial or regional) scope exist whereby policy variables with direct and indirect urban impacts can be assessed in the context of those impacts; nor are there any models of national scope which incorporate urbanization process variables in their macro-structural, spatial, or functional centres.

- the Federation of Canadian Municipalities presents a non-influential profile and presence as the national organization representing local governments in general and urban places in particular.[6]

In addition to these generalizations, it is also worth noting that although Canada had undergone rapid urbanization and rates among the most highly urbanized nations in the world,[7] it had developed neither a coherent urban policy (notwithstanding MSUA's brief existence), nor a national urban policy research institute. Even provincial government departments are for the most part narrowly defined municipal affairs units. As well, there is no forum - either within or outside government - whereby the three levels of government or interests reflecting those jurisdictions (for example, national, provincial, and local NGOs) discuss on a

regular basis circumstances and situations which bear on urbanization processes and urban systems.[8]

Ironically, this lack of sensitivity to Canada's urban dimension on the part of senior governments and major institutions is not mirrored by the behaviour of either the people of Canada or by Canadian developers. As has already been noted, urban areas are once again growing rapidly, and the "post-urbanization" era of the 1970s must be seen as nothing more than a brief aberration. Furthermore, there is increasing evidence supporting the view that central cities are once again becoming attractive places in which to invest and locate; there is a steady shift underway throughout Canada away from suburban to downtown locations for development and redevelopment opportunities. Major downtown projects such as Toronto's Harbourfront, Vancouver's B.C. Place and Granville Island, and Winnipeg's North Portage Development are only a few of the more spectacular examples of the new generation of inner-city redevelopment projects in which private developers have been active and aggressive participants.[9]

In short, both the private sector and the citizenry generally continue to be major forces with respect to continued urbanization in Canada. The problem, however, is the country's lack of progress in recognizing the critical importance of the urban dimension of regional development in public policy.[10] Despite this less than encouraging historical track record, however, the

authors will endeavour to make the case that, on the basis of recent empirical and analytical approaches (including that taken by this monograph), Canada is on the threshold of a new level of urban policy awareness and potential.

NEW PERSPECTIVES

Recent evidence suggesting that Canada may be in the process of adopting a new sensitivity to and understanding of the urban dimension is considerable, and it can be drawn from a variety of sources. In common with their counterparts in many other countries, a growing number of Canadian policy analysts have recently shifted their thinking from a concern with urban decline to a more optimistic perspective on urban development. On one level, this shift can be viewed as simply a response to a change in empirical urban growth trends. On a more profound level, however, it is also the result of a changed perception about the critical role cities and towns play - and must play - in national and regional economic growth. Some analysts, in fact, have gone so far as to suggest that regional development policies must adopt the urban centre as the most appropriate regional unit. Urban-centred regions, they argue, should provide the context for framing national development policies.[11]

These new perspectives are apparent not only in the academic literature; they are increasingly apparent in other analyses as

well. The 1984 Economic Council of Canada report on western Canada, for example, devoted an important section to the role of urban areas in the development of the four western provinces and made several explicitly urban-focused recommendations.[12] Similarly, the Science Council of Canada also advocated in 1984 the development of metropolitan technology councils as a new forum in which local economic strategies could be developed.[13] Perhaps even more important, in mid-1987 DRIE was reported to be working out a new set of rules which explicitly recognized the importance of cities in regional development, especially their so-called "soft-infrastructure."[14] In all of these cases, while it would be an exaggeration to suggest that they provide convincing evidence of an explicit and established recognition of the urban dimension of regional economic development, they do nonetheless indicate a significant movement in that direction. In addition, an embryonic but complementary trend appears to be developing at the municipal level, as a number of city governments begin to pursue locally developed economic initiatives more aggressively.[15]

This new sensitivity to urban issues is predicated on three basic elements which provide the context for a comprehensive new perspective on the role of urban areas in the development of the economy. The first element is the simple fact that a growing number of Canadians are beginning to recognize that cities and towns have become critically important elements of any economic policy thrust. It is becoming increasingly apparent that the

quality of a nation's cities is an extremely important determinant of its ability to compete in an increasingly competitive world.[16] Historically, this fact was not only known and understood; it was a key element in the policies of both municipal and provincial governments. Urban "boosterism" played a critical role in determining not only winners and losers in the urban sweepstakes game, but also in developing, in the years up to the 1920s, a relatively efficient, national system of cities.[17] Since the 1920s, however, civic boosterism has gradually been overtaken by provincial and national concerns, to the considerable detriment of urban development and policy. The business community, in particular, became increasingly concerned with regional, national and, latterly, international issues and strategies, and no longer saw itself as being both "in" and "of" cities, but simply "in" them. Elites, in other words, lost their earlier identification with place and replaced it with an identification with the increasingly far-flung interests of the corporation itself. They no longer took part in or cared as much about the community in which they happened to be located. In recent years, however, there has been a growing recognition that such "corporatism" is at best an incomplete strategy, one which must be balanced by a concern about the local unit of organization - the city itself.[18]

The second basic element is the new awareness that cities actually have more autonomy than had generally been realized.[19] There is no doubt that an extensive re-examination of

intergovernmental relationships is necessary and long overdue, or that the efforts of the Federation of Canadian Municipalities (FCM) and other organizations which argue for such review are worthy of support. The fact remains, however, that intergovernmental structures are not the basic problem; the local state can achieve a great deal under the current situation -- providing they set out clearly the purposes to which these new powers and resources will be directed. Quite simply, local governments will have to get their own acts together if there is to be any meaningful reform in existing patterns of inter-governmental relationships.[20]

The record shows that when municipal politicians do proceed from a clear agenda - as occasionally occurs - they have surprisingly little difficulty convincing senior governments about the need for new relationships and approaches. Here, two equally charismatic -- but very different -- examples are former Mayors David Crombie and Jean Drapeau, of Toronto and Montreal, respectively. The truth is that most citizens are neither interested in nor concerned about the niceties of provincial-municipal constitutional relationships; they are concerned instead about economic <u>results</u>, and when coherent strategies are advanced which offer a realistic prospect of achieving those results, they generally receive support.[21]

To be sure, the anti-interventionist and anti-political ethos in Canadian local government is an extremely deeply-rooted one, and it has very much inhibited the development and implementation of proactive urban initiatives.[22] Yet, it is clear that, given the necessary political will, city governments are quite capable of improving urban conditions significantly, notwithstanding their frequently-trumpeted legal and fiscal limitations. Many of the major problems - in health, safety, culture, education, economic develcpment, recreation, and housing, to name but a few areas - are all within the power of the city to solve or at least alleviate. Even the unequal distribution of these "urban amenities" to the city's inhabitants is also within local government's power to change, at least to some degree. But the extent to which and the ways in which cities could use their powers to systematically - rather than accidentally - improve their residents' quality of life remains largely unexplored.

The third basic element which contributes to a new urban policy perspective is the growing recognition that the old <u>laissez-faire</u> economic maxim that "people follow jobs" is gradually giving way to a new reality of "jobs following people." The evidence supporting this new recognition is overwhelming.[23] Specialized work force populations, particularly in the emerging, technology-based areas, are deciding that they wish to locate in places with good cultural facilities, strong educational and health care institutions such as schools, universities, and

hospitals, and ready access to high quality recreational areas. Such amenities -- and here we should also include a high level of public safety -- are becoming as important (or even more so) in many firms' locational decisions than conventional economic factors. As a recent article in The Economist noted:

> This survey [of nine world cities] suggests that the hope for the future is, unfortunately, indefinable; it lies in something best described as "the spirit of the city." This means that no rigid blueprint for any city's revival is going to work. But it also means that, if your city appears to have no God-given natural advantages, it matters little...
>
> If there is a key to the "spirit of the city," it lies in its appeal... The mayor of Downbeat ought to concentrate on the intangible things that attract minds of quality to his threatened city - on education, further education, entertainment, and culture. These things will bring in human capital: ring roads, multi-storey carparks, and echoing plazas will not... They may be part of a city's revival but they will not cause it.[24]

In this context, the lesson that is increasingly being learned is that any development policy must begin with the fact that amenities, "soft-infrastructure," and social policies are at least as important as physical development. In addition to seeking new investment and new industries, communities must seek to attract and hold talented persons, those who in the long run create economic opportunities. To the extent that these people choose where they would most like to live and, directly or indirectly cause investment and jobs to come to them, the principal line of causation runs from the "livability" of the urban environment to the economic base of the community, rather than the reverse.

Together, these three elements add up to a new, urban-centred perspective; a thrust which argues that an explicit, dynamic and synergistic role for Canada's towns and cities must be at the heart of any regional or national economic development policy. In the following pages, evidence will be presented which suggests that this approach is already well advanced elsewhere in the western world and, more important, that it is already being practised in a number of urban areas here in Canada.

NOTES TO CHAPTER 2

1 "Canada's Cities," Statistics Canada Update, Vol. 2, No.4 (1984).

2 Larry S. Bourne, "Some Myths of Canadian Urbanization: Reflections on the 1976 Census and Beyond," Urbanism Past and Present, No. 5 (Winter 1977/78), pp. 5-6. See also Ira M. Robinson, Canadian Urban Growth Trends: Implications fora National Settlement Policy (Vancouver: University of British Columbia Press, 1981), pp. xiv-xv; and Statistics Canada, Urban Canada (Ottawa, 1984).

3 While the focus of this paper is clearly on the larger urban centres, Statistics Canada's official threshold for "urban" is much lower - as of the 1976 census, any population concentration of 1,000 or more with a minimum density of 386 persons per square kilometre is technically considered to be "urban." Source: Urban Growth in Canada (Statistics Canada, May 1984), p. 3. It is also worth noting that, despite this rather liberal definition of "urban," Canada is a heavily urbanized nation even by more conventional and rigorous standards: of the 17.4 million "urban" Canadians reported in the 1976 census, fully 12.8 million lived in metropolitan areas.

4 While Table 1 indicates more than 24 CMA's with populations larger than 100,000 in 1976 and 1981, the difference is because of boundary adjustments. See "Canada's Cities," p. 5.

5 The population of Canada in 1986 was 25,354,064.

6 Barry Wellar, "Urban Impact Assessment in Public Policy Processes: The Canadian Record, 1968-1982," The Canadian Journal of Regional Science, Vol. V, No. 1 (Spring 1982), pp. 41-42. See also N.H. Lithwick, "Canadian Regional Policy: Undisciplined Experimentation," The Canadian Journal of Regional Science, Vol. V., No. 2 (Autumn 1982).

7 The 1986 Canadian census revealed that fully 76.6% of the Canadian population was "urban" (see footnote #3). Adopting the OECD's more rigorous definition of "urban" as population centres of over 50,000, Canada ranked as the fifth most heavily urbanized of the 24 OECD countries. Source: OECD National and statistical yearbook as quoted in The OECD Observer, no. 141, July, 1986, p.5.

8 One conspicuous exception to this latter point is the Winnipeg Core Area Initiative. Under the CAI, senior officials from all three levels of government meet monthly, on

a regular basis. While this institutional arrangement is both unique and positive, it must be conceded that its purpose is the rather narrow one of making specific managerial decisions about the project, rather than to engage in wide-ranging discourses about urban policy. With respect to the lack of urban-oriented institutions at a national level, one previous national forum was the Canadian Council on Urban and Regional Research, created in the early 1970s. It ceased to be active in 1977 but continued to publish a journal until 1980. See the final issue, Urban Forum, Vol. 4, No. 6 (February/March 1980). For a complete list of urban journals and organizations in existence in 1980, see Alan F.J. Artibise and Gilbert A. Stelter, Canada's Urban Past: A Bibliography to 1980 and Guide to Canadian Urban Studies (Vancouver: University of British Columbia Press, 1980). For a more recent perspective see Alan F.J. Artibise and Paul-Andre Linteau, The Evolution of Urban Canada: An Analysis of Approaches and Interpretations, Report No. 4 (Winnipeg: Institute of Urban Studies, University of Winnipeg, 1984). See also Michael Decter and Jeffrey Kowall, "The Winnipeg Core Area Initiative: A Case Study", paper prepared for the Economic Council of Canada, 1989.

9 See Kiernan 1987 and 1988. This general observation is true even in the specific case of shopping malls, as developers focus on downtown projects. See, for example, Bruce Gates, "Tuning Up the Mall Machine," The Financial Post, August 31, 1987.

10 We do not believe that an urban economic strategy can be successfully left to the private sector; indeed, in terms of regional development this can be actively harmful. See, for example, Robin Boyle and Daniel Rich, "In Pursuit of the Private City: A Comparative Assessment of Urban Policy Orientations in Britain and the United States," Strathclyde Papers on Planning (Glasgow: University of Strathclyde, 1984). As we shall argue later in this monograph, both the broader economic strategies and individual projects will require the participation of both public and private sectors if they are to be effective.

11 See, for example, the series of articles in the following issues of The Canadian Journal of Regional Science: Vol. 5, No. 2 (Autumn 1982); Vol. VIII, No. 3 (Autumn 1985); Vol. IX, No. 1 (Spring 1986).

12 Economic Council of Canada, Western Transition (Ottawa: Supply and Services, 1984), Chapter 12.

13 Science Council of Canada, Canadian Industrial Development: Some Policy Directions, Report #37 (Ottawa: Supply and Services, 1984).

14 Philip Mathias, "New Self-Help Thrust for Regions," The Financial Post, May 11, 1987. Soft-infrastructure refers to capacities in the area of research, training, and development.

15 See Meric Gertler, "Industrialism, Deindustrialism and Regional Development in Central Canada," The Canadian Journal of Regional Science, Vol. VIII, No. 3 (Autumn 1985), and Stankovic, "An Entrepreneurial Approach to Local Economic Development."

16 See, for example, David Birch, "The Q Factor."

17 It is notable that MSUA was not Canada's first effort in developing a national agency to deal with urban issues. See Alan F.J. Artibise and Gilbert A. Stelter, "Conservation Planning and Urban Planning: The Canadian Commission of Conservation in Historical Perspective," in Planning for Conservation, ed. Roger Kain (London: Mansell, 1981). See also A.F.J. Artibise, "City Building in the Canadian West: From Boosterism to Corporatism," Journal of Canadian Studies, Vol. 17, No. 3 (1982), pp. 35-44; and Elizabeth Bloomfield, "Community, Ethos and the Local Initiative in Urban Economic Growth: Review of a Theme in Canadian Urban History," Urban History Yearbook 1983 (Leicester University Press, 1983). A similar process occurred in the United States and Great Britain. See Boyle and Rich, "In Pursuit of the Private City."

18 See, for example, Alan F.J. Artibise, "A Sense of Community: A Critical Variable in Urban Development" (Unpublished paper delivered to Provincial Directors, Department of Regional Industrial Expansion, Winnipeg, May 1987). See also Norton E. Long, "Can the Contemporary City Be a Significant Urban Polity?" in 1983 Annual Meeting Papers (Newark: Urban Affairs Association, 1983); and David McKay, "Central Power, Urban Government and Civic Community: England, the U.S. and Continental Europe Compared." (Paper presented to Conference on the Effect of Constitutional Structure on Urban Policy and Politics: The U.S.A., Canada and Britain, Wayne State University, April 1987). McKay makes the critical point that a "sense of community" performs two vital functions: it helps anchor investment capital and encourages central/local political networks that serve to preserve the status of existing urban centres. When this sense is lost, the results are serious. See, for example, the article on San Francisco in Newsweek, April 13, 1987. There, a lack of a sense of community freed investment to flow elsewhere and led to the development of political and business networks designed to serve individual companies rather than the city. On the other side of the coin, for a more upbeat assessment of the positive role "soft infrastructure" can play in economic development, see David Birch, "The Q Factor."

19 For a general overview of this issue, see John H. Taylor, "Urban Autonomy in Canada: Its Evolution and Decline," in Power and Place: Canadian Urban Development in a North American Context, ed. G.A. Stelter and A.F.J. Artibise (Vancouver: University of British Columbia Press, 1986). See also David M. Nowlan, "Towards Home Rule for Urban Policy," Journal of Canadian Studies, Vol. 13, No. 1 (Spring 1978), and T. J. Plunkett and G.M. Betts, The Management of Canadian Urban Government.

20 See, for instance, T.J. Downey "Ontario's Local Governments in the 1980s: A Case for Policy Initiatives," in The Canadian Journal of Regional Service, Vol. V, No. 1 (Spring 1982).

21 The tri-governmental Winnipeg Core Area Initiative is an overwhelming case in point. Despite the fact that senior governments contributed nearly 70% of the project's $100M core budget and over 95% of its additional, ancillary funding, the overwhelming majority of Winnipeggers automatically assumed that the CAI was a City of Winnipeg undertaking. See Results Group, "Public Attitudes Concerning Core Area Redevelopment," Winnipeg, March 1984. Thus, despite the project's overwhelming general popularity, citizens were for the most part unable to disentangle the individual roles of the three levels of government.

22 For further elaboration on this point, see Plunkett 1978, 1986, Kiernan 1983, 1988, and Artibise 1986.

23 See Artibise, "A Sense of Community," and Long, "The Contemporary City." For a comparative international discussion of a number of cities with dramatically different economic sub-structures, see "The Anatomy of Cities: Huddling Through," The Economist, December 20, 1986. See also David Birch, "The Q Factor."

24 "The Anatomy of Cities." For a discussion of the role of education, see the papers in New Directions for Urban Universities: International Perspectives, ed. Alan F.J. Artibise and Wendelin A. Fraser, Report #18 (Winnipeg: Institute of Urban Studies, University of Winnipeg, 1987). A U.S. study concluded that the most successful economic performances among cities were places specializing in government and education. See Harold Wolman, "U.S. Urban Economic Performance: What Accounts for Success and Failure?" (Paper presented to Annual Conference, Urban Affairs Association, Fort Worth, Texas, March 1986), and David Birch, "The Q Factor."

3 URBAN ECONOMIES IN TRANSITION

INTERNATIONAL PERSPECTIVES

While Canada may be adjusting slowly to these new realities of urban economic development, many other countries appear to be adjusting far more rapidly. In particular, recent studies by the OECD's Group on Urban Affairs and by The Economist indicate that new, urban-based approaches to economic development policies are gaining currency in both Europe and the United States.[1]

The justification for an urban-based economic policy thrust is still subject to vigorous debate. Nonetheless, a consensus has developed around the view that the economic and social well-being of cities has a direct impact on the well-being of the nation. This consensus has led to a stronger and more explicit urban focus with increasing emphasis on urban policies and programs designed to develop the particular economic strengths of individual towns and cities. Unlike much past urban policy, however, these emerging policies and programs increasingly demonstrate a clear understanding of the complexities of urban economies. It is understood, for example, that urban areas are affected in distinct ways by economic upswings and downswings, leading to both problems and opportunities for cities. No single national policy can hope to satisfy the needs of all cities. The fact is that the consequences of changes on urban areas are extremely difficult to

predict, whether these changes take the form of new technologies, the increasing importance of the informal economy, the changing organization of work, or the degree of reurbanization of the affluent middle classes.

What is evident is that adaptation to change requires a high degree of flexibility in urban planning, and the role of government policy must be to understand comparative strengths and to develop policies which facilitate full utilization of physical, economic, institutional, and human resources. Even more important, it must be understood that the basic responsibility for urban economic development rests with cities themselves. As a first step in any policy, cities must examine their own strengths and weaknesses in light of changing local, national, and international economic trends. This new, more aggressive role for local urban officials is for the most part a new phenomenon. As in Canada,[2] most public officials in the U.S. and Europe have tended to regard their possibilities for action as severely circumscribed, and essentially limited to the provision of infrastructure and municipal services.

Recent OECD case studies, however, have helped formulate an analytical approach to local economic development which contemplates a considerably broader and more vigorous role for local governments. Based on its case study evidence, the OECD has developed a framework for approaching local economic development

which is systematic, rigorous, and explicitly tailored to local circumstances. It begins with a critical assessment of both the opportunities and the liabilities of individual urban economies, and proceeds to link these with the implications of relevant international developments and trends before concluding with prescriptive recommendations for action. Two of the most commendable features of the emerging OECD approach are that it is synoptic and strategic, (rather than attempting to be exhaustively comprehensive) and that it focuses on key institutional as well as economic factors.

The OECD approach begins by acknowledging that the most obvious foundation for successful urban development policies is an objective appraisal of the problems and opportunities confronting a particular urban economy. Many municipal governments have a totally unrealistic understanding of their economic situation in its regional, provincial, national, and international contexts. In particular, local governments seldom demonstrate an appreciation of the local economic implications of an increasingly interconnected and turbulent global economy. Perceptions which may have been accurate five years previously can become outdated extremely quickly. Thus, the local economy must be consciously related to its broader context. This is not to argue that urban economies and political systems need to become <u>subservient</u> to international forces, simply that they need to become more <u>aware</u>

of them and more adept at capitalizing on the opportunities they create.

A detailed inventory of the economic base of the city is an indispensable first step for local economic development planning, and constitutes the basic underpinnings for the balance of the OECD's analytical framework. In addition to existing industries and businesses, the assets of any city will encompass a range of other elements: relative locational advantages (or disadvantages), land, labour, capital, business, cultural and residential amenities, and institutional capacity (see Table 3). An objective appraisal of these elements is an essential task, and it must be done continually, not only to reveal impending problems but also to facilitate the identification of emerging opportunities.

Once completed, this appraisal can then be used to help formulate a comprehensive economic development strategy. Among other things, the process of developing and articulating the strategy is important in itself as a means of reducing barriers among various agencies and program (a very common occurrence, especially in federal states). Such a strategy requires the specification of objectives, means, and measures; appropriate

Table 3.3

Analysis of Urban Strengths and Liabilities

Factor Component	Importance	Location Strengths		Neutral	Location Liabilities	
		Major Asset	Limited Asset		Can Be* Corrected	Cannot Be Corrected
1. LOCAL LABOUR MARKET						
* Composition						
* Cost						
* Reliability						
* Other						
2. ACCESS TO MARKETS						
* Customer						
* Supplier						
* Other						
3. DEVELOPMENT FACILITIES						
* Development Sites						
* Facilities						
* Infrastructure						
* Other						
4. TRANSPORTATION						
* Access to Markets						
* Intercity Transportation						
* Local Transportation						
* Other						
5. EDUCATION TRAINING						
* Colleges/ Universities						
* Vocational Training						
* Technical Assistance						
* Other						
6. QUALITY OF LIFE						
* Quality of Environment						
* Cost of Living						
* Other						
7. BUSINESS CLIMATE						
* Public/Private Coop.						
* Government Response						
* Community Spirit						
* Other						
8. R & D FACILITIES						
* University Facilities						
* Corporate Facilities						
* Government Facilities						
* Other						
9. CAPITAL AVAILABILITY						
* Traditional Financing						
* Seed & Venture Capital						
* Public Programs						
10. TAXES/REGULATIONS						
* Corporate Taxes						
* Individual Taxes						
* Govt. Regulations						
* Other						

SOURCE: Group on Urban Affairs, Project Group on Urban Economic Development - Final Report (Paris: OECD, 1986).

Note: *Indicated level of government

mechanisms for implementation and financing; and appropriate mechanisms for monitoring and evaluation.[3] This said, it must also be recognized that there is an inverse relationship between the comprehensiveness of the strategy and the speed with which it can be assembled and implemented. In the economic development field, the latter is generally much more critical. (By way of analogy, in the field of land-use planning, it is not unknown for cities to spend ten years developing and refining a comprehensive master plan, only to have it completely overtaken by events.) While the strategy should seek to be as comprehensive as is reasonably possible, it should be assembled quickly and be flexible enough to allow it to capitalize on unforeseen opportunities.

Within such a strategic framework, the process of urban economic development can then proceed largely on a project-by-project basis. This approach has an advantage since coordination that may be difficult to achieve across an entire urban economy can be built up from smaller initiatives whose impact is geographically confined to small, local areas. Success at this scale can then create and demonstrate competence for more ambitious programs. It should be noted, however, that larger, more visible urban economic development programs are also important. Because of their broader physical and economic impact, large-scale programs can have a spin-off effect on business and public confidence well beyond their direct impact. At the same time, the danger of putting "all

the eggs in one basket" must be avoided; thus a judicious mix of the two strategies is required.

In addition to the economic fundamentals, the OECD studies also stress the critical importance of key actors and institutions, a perspective strongly supported by other evidence. If any strategy is to be continued over the longer term, there must be attention paid to the widespread legitimization of the strategy's principal goals, and for this to happen, leadership is essential. Leaders must espouse values which are shared across the community, and can be drawn from the ranks of civic politicians, the business sector, union officials, community groups, and so on. The early involvement of financial institutions and the private sector in the conceptualization, planning, and implementation of any strategy will also be critical for creating an atmosphere of confidence and for leveraging private capital investment. Finally, the early involvement of community-based organizations is equally essential; there is growing evidence that neighbourhood-based initiatives can be extremely effective in translating modest national government support into substantial economic and social gains.[4] Continuity and perseverance are vital, as well, since experience indicates that most efforts take years to reach fruition.

It is clearly apparent from the OECD case studies that urban economic development strategies and their successful

implementation are highly dependent upon the institutional capability or "soft infrastructure" of an urban area. What traditions of business and community leadership exist? How much cooperation is there between and among different levels of government, corporations, universities and community colleges, social and cultural organizations and agencies, and so on? Local, provincial/state, and national resources must be mobilized, coordinated, and effectively allocated, with systematic monitoring of the results. In fact, in many of the OECD studies, traditional bureaucratic procedures and structures failed to meet the tests of flexibility, public participation, and effectiveness. Thus new institutional and financing approaches are necessary in order that cross-sectoral cooperation can be achieved.

Some of the most striking innovations in OECD countries have been in the establishment of new institutions designed to address urban economic regeneration and to encourage the greatest possible degree of cooperation among all the agencies involved. And while such cooperation must ultimately coalesce at the local level, it can be stimulated by senior governments by four principal means: political leadership, targeted financial assistance, technical and administrative assistance, and legislation. As we shall see, one of the most impressive OECD examples of the creation of new, more flexible institutional models to promote local economic development is Winnipeg's Core Area Initiative.

In order to provide more scope for municipal actions, some OECD governments are modifying their legal, fiscal, and administrative structures. In some cases these modifications involve decentralization of responsibilities, but in many countries quasi-independent government bodies - such as development corporations, trusts, and foundations - are also being created, explicitly to promote economic development. Typically, these organizations are allowed considerable freedom of action to offer a variety of services that include the provision of information and technical assistance, the packaging of financing for new and expanding firms, and in some cases lending of last resort and even capital grants.

This brief review of the recent experiences of the OECD countries outside of Canada indicates that urban economic development strategies are becoming increasingly well-developed. It also provides a useful standard against which similar initiatives in Canada can be measured. It may come as a surprise to some readers to learn that Canada is, in fact, well-advanced in a number of respects. (Winnipeg's Core Area Initiative provides an excellent case in point.) Where Canada falls short, however is in its lack of a coherent set of public policies which builds upon the strengths of successful local initiatives which have developed in spite of - rather than because of - current regional development policies. It is to the Canadian experience that we now turn.

NOTES TO CHAPTER 3

1 See Group on Urban Affairs, Project Group on Urban Economic Development, Final Report (Paris: OECD, 1985). This section of the monograph is drawn, for the most part, from the OECD study. See also "The Anatomy of Cities," op.cit.

2 See Kiernan (1988) and Plunkett (1971).

3 The reference here to monitoring and evaluation is especially critical. The fact is that in Canada it is virtually impossible to access statistics at the scale of the city or urban region. It is notable that this problem was recognized by the Economic Council of Canada in 1984 when it remarked that city-level statistics are "appallingly inadequate and out-of date." See Western Transition, p. 183. The study makes related comments regarding information on new technology and recommends the creation of an "Interurban Technology Information Group."

4 See, for example, M. Kiernan, "Innovation, Urban Revitalization, and the Intergovernmental Dimension"; L.H. Newman, et al., Community Economic Development: An Approach for Urban-Based Economies, Report No. 16 (Winnipeg: Institute for Urban Studies, University of Winnipeg, 1986); and Gary Conely, et al, Economic Development: New Roles for City Government (Washington: Department of Housing and Urban Development, 1979).

4 CANADIAN PERSPECTIVES ON URBAN ECONOMIC DEVELOPMENT[1]

INTRODUCTION

From the perspective of local governments, Canadian economic development has tended to be interpreted in one of two ways, each of them driven by the cities' historic and disproportionate dependency on the real property tax base.

In the first instance, "economic development" has traditionally come to mean competition with other municipalities to attract industrial and commercial development. This attempt to attract outside industries has generally been made on the (usually unexamined) premise that the property taxes generated by the new development would more than offset any servicing and other costs to the municipality. The two most popular instruments used to attract development have been the assiduous promotion of the various physical, cultural, and social amenities of a given community as a place in which to live and work, and the provision of serviced industrial land, usually at concessionary prices. But as we shall see, there are serious problems with both of there instruments.

While no one would dispute that an attractive environment and low land prices are helpful when community is competing for footloose industries, recent evidence suggests that the truly critical ingredients required to attract new corporate investment

(a well-educated work force, excellent communications facilities, etc., i.e., "soft infrastructure") are clearly beyond municipalities' financial and institutional capacity to deliver single-handedly. Even more to the point, it is by no means clear that the attraction of footloose industries itself constitutes a sound economic development strategy. For one thing, it is generally difficult if not impossible to demonstrate convincingly that a given industry would or would not have established in a particular location in the absence of a subsidy. More important, from a national or even regional perspective, such competition rarely provides real "value-added"; it generally amounts to little more then massaging economic activity from one location to another, with little if any net benefit to overall economic performance. Nonetheless, for perfectly understandable local political reasons, glossy promotional campaigns and the provision of inexpensive industrial land have remained the two cornerstones of local economic development strategy in Canada to this day.[2]

The second, and perhaps even more traditional municipal approach to economic development, has been the encouragement of building and development of all types - industrial, commercial, and particularly residential and office. While the level of enthusiasm with which local governments have greeted major development proposals has tended to ebb and flow substantially over time, on the whole it has been considerable.[3] Once again, from local governments' perspective, the critical financial (and

therefore political) calculus driving their approach has been the property tax revenue which the projects could generate. However, while the revenue side of the property development equation is invariably calculated and publicized with considerable relish, it has been only infrequently that these numbers have been balanced by a clear-headed assessment of both the on and off-site costs which the development would generate, and which would largely be borne by the local government itself. As was the case with suburban industrial development, urban governments have not historically been particularly concerned about the quantity or quality of the employment or environmental impacts generated by the residential and commercial projects;[4] their overriding concern has been the generation of property tax revenue. The principal instrument used to facilitate these projects has been quite simple and, on the surface at least, quite inexpensive: the manipulation of the city's planning and zoning machinery. With the stroke of a pen, zoning categories were changed, and the permissible densities (and therefore the profitability) of the new projects increased exponentially.

While it did directly and profoundly affect urban governments and urban politics, this brand of economic development required only a passive role from the local government itself, and therefore was eminently compatible with the dominant ideological ethos of municipal anti-interventionism. The initiative for the projects was almost invariably taken by the private developer,

with the local government's role largely restricted to that of accommodating handmaiden, assisting by providing, when requested, the appropriate zoning and, in some cases, key municipal properties and public works improvements.

By the mid-1970s, however, two important and interrelated changes were beginning to occur: the "centre of gravity" of Canadian urban development was shifting from suburbia to downtown; and government was beginning to supersede the private developer as the principal catalyst of new urban development. Both of these trends were to have profound implications for the location, scale, pace, and substance of the next generation of Canadian urban development.

By the mid-1980s, virtually every major Canadian city could boast some sort of shiny new downtown development. While the scale and scope of the projects vary widely in recognition of local economic (and political) circumstances, most share one important characteristic: in nearly every case the project was spearheaded by a publicly-established, publicly-funded development corporation. The emergence of the <u>public</u> development corporation as a dominant player on the urban development scene is unquestionably one of the defining characteristics of contemporary urban Canada.[5]

In essence, these new corporations were designed to catalyze large-scale redevelopment in urban areas where fragmented land ownership and/or a lack of private initiative had hitherto prevented it. It is important to note, however, that the mandates of the new corporations tended to be somewhat schizophrenic. On the one hand, the corporations were to emulate the private sector in operating style, acting in "a businesslike fashion" (whatever that is), and in contemplation of economic self-sufficiency within a relatively short time. Meeting these requirements necessitates considerable freedom of movement and therefore somewhat of an "arm's-length" relationship from the corporation's governmental creator. On the other hand, the corporations were, at the same time, supposed to be doggedly pursuing "public" objectives, which implies a certain level of government control. Achieving both sets of objectives simultaneously can be an exquisitely difficult balancing act, as more than a decade's experience with the new corporations was to demonstrate.

It is important to note, however, that while "government" in general was indeed becoming more aggressive with respect to urban development, it was almost invariably <u>senior</u> governments which were leading the way. With the important and conspicuous exception of the Winnipeg Core Area Initiative, Canadian <u>local</u> governments have not been major players in the new corporations in either a financial or a decision-making sense. Experience suggests that, almost without exception, their absence has exacted

a substantial price, in terms of both local political sovereignty and the quality and popularity of the eventual "product."

Canadian Urban Development: The New Vehicles

The first generation of the urban "megaprojects" took place on the waterfronts of a number of Canadian cities. In most cases these lands housed derelict or obsolescent industries, but usually the public sector had at least some sort of toe-hold through ownership of all or part of the land by heretofore obscure federal agencies such as harbour commissions. Among the public development corporations created to take advantage of these waterfront opportunities, Toronto's Harbourfront Corporation was the earliest.

Toronto's Harbourfront

Harbourfront's turbulent history had its genesis in a surprise announcement during the 1972 federal election campaign that the federal government would acquire 100 acres of downtown, waterfront land on Lake Ontario and would create a park there for the benefit of all Torontonians. Dismissed by critics as nothing more than a transparent and ill-conceived election gimmick, Harbourfront nonetheless proved a popular concept with Toronto residents, at least initially.[6] Despite the flourish of the initial announcement, however, the actual definition and then execution of

the "park" concept proved extremely elusive. Over the first three years, an enormous amount of planning and consultative activity was undertaken under the aegis of MSUA, but very little in the way of actual development occurred. There were three main reasons for this: the impossibility of forging a consensus even within MSUA on how the lands ought to be developed; the sheer physical difficulty of actually acquiring and demolishing some of the obsolete industrial structures which stood on the site; and, most important, the virtual exclusion of the City of Toronto from the consultative process. City bureaucrats and citizens alike came to grow resentful of, rather than grateful for, this federal "gift" which had been bestowed on them unrequested.

In 1975, the federal government (MSUA) attempted to defuse this last criticism by setting up an informal "Harbourfront Council," whose nominees included officials of all three levels of government and appointees of the Mayor and Metro Chairman of Toronto. Despite this overdue gesture, however, intergovernmental antipathy and inactivity continued to plague Harbourfront until its corporate board appointed Howard Cohen as general manager in 1978.

The selection of Cohen was a shrewd one. Prior to his appointment at Harbourfront he had been the <u>de facto</u> Chief Planner for the City of Toronto, the organization with which Harbourfront had been feuding over planning issues almost continuously since

its inception. Cohen was able, at least temporarily, to make peace with the City and to set a firmer direction for Harbourfront's overall plan. This plan had three paramount objectives: to stimulate substantial public use of the waterfront through the extensive promotion of cultural and other program attractions; to utilize the public control of the land resource to catalyze residential and commercial development which would ensure year-round, around-the-clock activity on the site; and to stimulate sufficient development revenue to allow the Corporation to become self-financing within six or seven years (including its $4M per annum programming budget). These objectives were, of course, a far cry from the federal government's original "park" concept. However, for the time being, the federal government overlooked this change in direction.

With the new game plan firmly in hand, Harbourfront launched an impressive array of both programming and physical development. The physical developments were done through a "proposal-call" process, whereby developers competed with one another in terms of both design and financial arrangements for the right to build on public land. The land rents collected by Harbourfront were to be used to defray its own development, programming, and operating costs. By the end of 1987, Harbourfront had parlayed its initial land base (acquired at a cost of some $55M) and public infrastructural investment ($80M) into a private sector investment of nearly $300M in new housing, office, and retail development. The centrepiece

development which really established Harbourfront's popular and commercial credibility was the spectacular $50M rehabilitation of the Queen's Quay Terminal in 1983, undertaken by the Reichmann's Olympia and York Corporation.

In 1984, the election of a Progressive Conservative government in Ottawa was a harbinger of two significant changes at Harbourfront. First, Harbourfront officially became a Crown Corporation, and thereby subject to the complex and restrictive rules of the federal Treasury Board concerning the reinvestment of its revenue. Second, Harbourfront came under increasing pressure to balance its books and eliminate the annual operating subsidies which it still required from Ottawa. This latter pressure was to manifest itself in a further acceleration in the pace of development at Harbourfront, and was really the genesis of Harbourfront's recent crisis in public confidence.

It should be recalled that, despite much soothing rhetoric to the contrary, Harbourfront remained a quintessentially federal corporation; the federal government was its only shareholder and appointed seven of its nine board members. After the brief "honeymoon" period following Cohen's appointment, Harbourfront had engaged in a virtually continuous, behind-the-scenes "guerrilla war" with the City of Toronto through the latter's planning and regulatory machinery. The principal elements of the City's critique were threefold: that the site was being severely

overbuilt in pursuit of development revenues; that, as a result, the Corporation's initial commitment to park space was not being fulfilled; and that the waterfront was becoming the playground of the privileged, with scant regard for affordable housing. To these three critiques would soon be added a fourth: that Harbourfront was creating a wall, and not a very attractive one at that, effectively separating Torontonians from their waterfront. In short, the project was becoming the antithesis of its original concept.

Until early in 1987, these critiques had for the most part been confined to private if acrimonious disputes between Harbourfront and City officials. At that point, the controversy spilled into the open, as City councillors and their constituents became more vocal.[7] Perhaps sensing a political opportunity, federal cabinet minister (and former Mayor of Toronto) David Crombie threw himself into the fray on the side of the angels, and the federal government actually froze further development at Harbourfront pending an external reappraisal of its activities and plans. Given the volume and pace of development at Harbourfront and the legal ramifications arising from stopping multi-million dollar projects in mid-stream, this was dramatic action indeed.

At the end of the day, the Harbourfront plan was revised to provide marginally more park space, and development continued, but the point had been made. What was particularly striking about the

episode was the rapidity of Harbourfront's fall from public grace. In the short space of twelve months, and despite its prodigious physical and programming accomplishments, the Corporation had gone from being the fair-haired child of a cosmopolitan Toronto to being viewed as some kind of public-sector Frankenstein.

From the standpoint of our current exploration of the potential of urban development to become an engine of regional economic growth, the Harbourfront experience contains at least six lessons:

- Major urban development projects take years, often as many as eight to ten years, to demonstrate physical and long-term economic results.

- Because of this, it is important for governments to resist the obvious and enormous political temptation of "over-selling" the project at the outset and thereby raising public expectations to levels which the project cannot reasonably satisfy quickly, if at all.

- Reasonably harmonious inter-governmental relations are critical to the political and popular (not to mention the economic) success of the projects.

- More particularly, the active participation, and preferably the leadership, of the local government is an indispensable ingredient of the project's success.[8]

- It is critical that the corporation's mandates strike an appropriate balance between the corporation's public objectives on the one hand and the commercial demands which are placed upon it on the other.[9]

- Public control of the land base is absolutely indispensable to the successful implementation of the new urban megaprojects. By controlling the critical land resource, the corporation can virtually dictate the timing, nature, quality, and profitability of development through its use of the development proposal call mechanism.

These "lessons" have been abstracted from over fifteen years' experience with Harbourfront, and the Corporation continues to learn and evolve as this is being written. It will be useful to bear the above lessons in mind as we examine some other Canadian experiments with public urban development vehicles.

Granville Island, Vancouver

Granville Island is a 42-acre waterfront site near downtown Vancouver. As recently as 1972, it was an unsightly hodge-podge

of semi-derelict industrial sites. Its transformation into the vibrant, mixed-use attraction which it is today was accomplished by entirely different organizational instruments than those used by Harbourfront. Like Harbourfront, Granville Island was a political initiative of the federal government, and was entirely financed by Ottawa. The key difference was, that even though it owned the entire site (through CMHC), the federal government made a conscious effort from the outset to involve the City of Vancouver in the project's planning. This aim was accomplished by placing one local government representative (later to be three) on the project's small, five-person (later, to be seven-person) steering committee. Having assured at least a measure of local involvement, however, the federal government also made the paradoxical decision that it would exercise its legal right to keep Granville Island as a federal enclave, and would therefore not subject the project to municipal planning and zoning bylaws.

In all, the federal government's investment of approximately $20M in Granville Island has stimulated roughly $60M in spending by private investors and the provincial government. Today, Granville Island is a mixed-use area boasting a major public market, several theatres, a college of art, artists' studios, restaurants, offices and retail space, hotels, and parks, as well as several of the original industrial uses. It is a major attraction for both tourists and Vancouverites, and is even a

financial success story to boot, generating an operating profit of roughly $2M per year.[10]

In addition to the "lessons" already derived from the Harbourfront experience, Granville Island suggests several further insights:

- The initiation and subsequent "sponsorship" of the project by a committed and influential politician is critical. In the case of Granville Island, this role was played by the Hon. Ron Basford, at the time Minister responsible for MSUA. Mr. Basford initiated the project (in no small part as a western political response to Harbourfront) and then shepherded it through Ottawa, intervening when necessary on the project's behalf.

- The conscious use of informal structures and processes rather than existing or arduously constructed formal ones is often necessary, a least during a project's launch and early phases. In the case of Granville Island, the project was effectively run by the local project manager, who reported to the local regional manager of CMHC, who in turn chaired the small advisory "trust," which included representation from both the City of Vancouver and the public at large, although it had no formal legal status. Although Granville Island was a federal project, there was very little bureaucratic or political

interference from Ottawa during the project's formative stages.

- Much of Granville Island's early momentum came from its small but energetic and highly-motivated project management team. All were local and understood the nuances of the city's political and economic dynamics. They flourished under a loose and informal administrative structure which received only minimal direction from Ottawa.

It is clear, however, that the effectiveness of this "SWAT team" approach lasts for only a limited time. Once Granville Island became fully operational, two things happened. In Vancouver, the project's myriad tenants (and tenant complaints) began to make it clear that a different and more consultative and participatory mechanism was required for the project's mature, operational phase. And, in Ottawa, now bereft of Mr. Basford's paternal solicitude and political support, the project began to subside into the seemingly inevitable miasma of bureaucratic machinery. More centralized procedural and financial controls have recently been instituted, to the apparent detriment of local initiative and accountability. Indeed, Granville's entire organizational structure is currently under review, as in fact it has been for several years. It is to be fervently hoped that any future organizational changes consciously seek to retain the project's

very considerable strengths and vitality, and thus avoid the mistake of throwing out the baby with the bath water.

The Halifax Waterfront

The third Canadian urban development corporation utilizing harbourfront lands is Halifax's Waterfront Development Corporation. That Corporation was created in 1976 as a provincial Crown Corporation, although federal representatives were placed on the Corporation's board of directors from the outset. The Corporation was capitalized with roughly $40M, most of it (80 per cent) federal money. Appropriately enough from the standpoint of this monograph, the departmental source of the federal contribution was the Department of Regional Economic Expansion.

At any rate, the Corporation's first task was the acquisition of a strategic, 20-acre waterfront parcel, accomplished through a combination of purchase and expropriation. Site acquisition and preparation took roughly four years to complete, and in 1980 negotiations began in earnest with private developers. It was at this point that federal representation on the Corporation's board of directors ended, and the Corporation became an exclusively provincial body.

The Corporation undertook several development projects itself. It rehabilitated one heritage building for a marine museum,

another for offices, and a third for a restaurant. The largest project catalyzed by the Corporation, however, was the development of a major new waterfront Sheraton hotel, representing a private sector investment of some $45M. To date, the Corporation has managed to "lever" private investment at a rate of slightly over 1:1, and still has roughly 50 per cent of the land under its jurisdiction available for future development.

The Halifax project must be regarded as at least moderately successful, although its ability to lever private investment has to date been substantially lower than that experienced in other jurisdictions. Although the local government was again conspicuous by its absence as either a financial or a decision-making partner in the Halifax Corporation, it would be going too far to attribute the Corporation's inability to catalyze more private investment entirely to the lack of municipal participation in the project. This deficiency is probably more fairly attributable to the constraints of a dormant Halifax real estate market than to the Corporation's organizational shortcomings. Through most of the late 1970s and early 1980s, Halifax's downtown office market was absorbing new space at a rate of only 33,000 square feet per annum. Inasmuch as 1977 and 1978 had been record years for downtown office construction, when the Development Corporation began looking for developers itself, there was already a glut on the market. Vacancy rates ranged between 14 and 17 per cent, and it was not until five years later, in 1983,

that the next significant downtown office construction took place. Thus it is small wonder that the Corporation failed to catalyze substantial private development in its early years.

Nonetheless, it is clear that the separation between the Corporation on the one hand and the local government and its statutory planning and zoning framework on the other did little to accelerate or enhance the project. In particular, the lack of municipal involvement meant that a broad base of popular and political support was never effectively developed.

All is by no means lost, however, and indeed the Waterfront Development Corporation's time may now finally be at hand. Halifax's relatively recent emergence as an increasingly vibrant centre of financial services, health care, and academic and administrative activity for the entire Maritime region has substantially enhanced the economic attractiveness of the WDC's remaining waterfront development sites. Since 1985, the WDC has successfully undertaken both an office and a residential condominium project. In addition, and perhaps even more important, the WDC's activities have recently been instrumental in helping to create a positive climate for major private sector investment on other waterfront sites nearby. The most dramatic example of this catalytic effect has been the Purdy's Wharf project near the northern boundary of the WDC site. Phase I of Purdy's Wharf, a 326,000-square foot, $54M office project, was

completed in 1985, and has proven so successful that a slightly larger second phase is currently under construction. It is clear, then, that the WDC's role in revitalizing the Halifax waterfront extends beyond its own immediate boundaries.

Montreal's Vieux Port

Montreal's old port area comprises roughly 130 acres of land located between the St. Lawrence River and the historic precinct of Old Montreal. As was the case in other cities, Montreal's port had been gradually diminishing in activity and economic importance over the years, and the relocation of its container-handling facilities in the mid-1970s confirmed that the time had come to adapt the port area for other, more contemporary urban uses. As early as 1977, the federal government had indicated that it was prepared to play a leadership role in the redevelopment process. Early interventions were limited, however, to the demolition of several large grain silos which had obstructed public views of the river and the provision of minimal amenities such as bicycle paths and pedestrian walkways.

In 1981, the federal government created a new Crown Corporation, the Canada Lands Company, of which Le Vieux-Port de Montréal became a subsidiary corporation. It is important to note one critical bureaucratic nicety: while the new corporation was given the mandate to develop the Vieux-Port, it was given neither the

ownership of the land base nor a substantial capital budget with which to work. Ownership of the site, initially assembled in concert with CMHC and the Port of Montreal Authority, has remained with the federal government through its Department of Public Works. On the financial side, while funding was made available from the outset for the new Corporation's operating budget of roughly $3M per year, the availability of the $100M+ in capital funding which the corporation would require to undertake any meaningful development remained in doubt for a number of years. This uncertainty prevented the Corporation from developing the credibility which can come only with concrete development projects.

One thing which the Corporation did have in abundance, however, was public consultation. Serious public discussions and debate over the future of the Vieux-Port began as early as 1979, and included the active participation of planners, architects, academics, and environmental, cultural, heritage, and social policy groups.[11] As a result of both the diversity and intensity of the public consultation exercise, the process finally "concluded" only in 1987. (In point of fact, such processes rarely if ever conclude definitively at all.) The length of the consultative process was not surprising or unprecedented in and of itself. What was somewhat unexpected, however, was the extraordinarily tentative nature of the final report summarizing the Corporation's response to the public's response. The

blue-ribbon committee which had directed the consultations on the Corporation's behalf contented itself with this statement in its letter of transmittal to the Corporation's chairman: "We have, however, refrained from proposing a final and definitive plan for the Old Port.... nor have we suggested a target date for the completion of the work envisaged."[12] This is clearly neither a Committee nor a redevelopment process in a hurry. To be fair to the Corporation, however, there was precious little else that its staff could do other than consult, because until very recently it lacked the financial resources to do much else. Indeed, it is remarkable that the Corporation was able to generate as much public interest and participation as it did, given that throughout the process there was really no assurance that it would have the resources to implement any recommendations from the public at all. The preceding discussion is not to be taken as an indictment of public consultation as such: what it does suggest is the need to conduct such consultation within a finite time-frame and to link it more explicitly to a realistic assessment of the financial resources necessary to implement the results of the consultative process.

In late 1987, the Corporation's financial prospects took a marked turn for the better. Federal Regional Development Minister Robert de Cotret announced federal funding support for the Vieux Port Corporation of over $100 million. As well, the Corporation was to negotiate financial contributions from both the city and

provincial governments, although the federal government would remain the only (and therefore, not coincidentally, the most politically visible) shareholder of the Corporation itself. (Both of the other levels of government are represented on the Corporation's board, however.) As of early 1988, the nature and amounts of these other contributions were still under negotiation.

What, one might fairly ask, of the plan itself - how will the $100 million-plus actually be used, assuming that it is eventually put in place? As noted above, the published plan for the Vieux Port generally eschews specifics, stressing instead that the Corporation's objectives should be organic and continue to evolve over time. Still, the plan does establish a number of fundamental guidelines, which are at least as noteworthy for what they leave out as for what they include. Unlike any other major Canadian urban "megaproject," the plan for the Vieux Port categorically rejects housing, as well as office buildings and most commercial uses. Instead, it stresses the historic origins of the Vieux Port, and emphasizes the provision of cultural and recreational facilities as well as public open space. It is clear that this plan does accurately reflect the majority view of the people of Montreal who participated in the planning process. But whether it is even remotely economically realistic, and whether it will prove capable of generating the kind of social and economic vitality sought by its proponents, remain very much open questions.

Quebec City's Vieux Port

Like Montreal, Quebec City's Lower Town includes an old port area of extraordinary historic and cultural significance. Like other Canadian urban waterfront areas, however, Quebec's Vieux Port had, by the late 1970s degenerated into a virtual ghost town of abandoned warehouses and hangars. Through the 1970s, however, there emerged a growing consensus among both government and business leaders that there was both the possibility and the necessity of rejuvenating the 72-acre Vieux Port area, and thereby also enhancing the nearby precinct of historic Old Quebec.

As was the case in Montreal, the vehicle selected to revitalize Quebec's Vieux Port was a federal Crown corporation. In 1981, the Vieux Port of Quebec was incorporated as a second subsidiary of the Canada Lands Company, thereby becoming a sister corporation to a similar vehicle in Montreal. The structure of both corporations is virtually identical: both are financed exclusively by the federal government as the sole shareholder, but both have boards of directors which include representation from the three levels of government, the private sector, and the community/non-profit sector.

While the corporate vehicles used in the two cities are virtually identical, the nature and pace of redevelopment in each case have been quite different. So, in a way, have been their

objectives. Here it is relevant to note that regional economic development is one of the four cardinal objectives which the Quebec Vieux Port Corporation set for itself at the outset.[13] While other, similar projects elsewhere in Canada have in fact had the same objective, Quebec's Vieux Port is the only one examined so far which has articulated it as a fundamental aim of the project.[14]

Partly as a consequence of its somewhat more ambitious mandate, Quebec's Vieux Port plan was itself different and more multi-dimensional. In this case, a broad mix of uses was actively encouraged, including housing, offices, shops, a market, a cultural centre, a marina, parks, and even some of the original industrial uses (à la Granville Island).

Quebec City had a second major advantage: its capital funding was both substantial and promptly available. From the beginning it was recognized that a two-phase financial strategy would be necessary. While the attraction of private investment remained a major objective, this would be impossible until the necessary public infrastructure had been installed. "Infrastructure" in this context has meant much more than the traditional "hard" infrastructure of roads, sewers, and the like. Here, it refers primarily to the attractive environment, capable of generating public enthusiasm and activity, essential to stimulating private investment. To this end, between 1981 and 1987 the Vieux Port

spent over $110M in federal funds assembling land and installing some of the key public infrastructural elements, including a cultural centre, a marina, waterfront parks and promenades, and parking facilities. In order to provide a tangible demonstration of the architectural and commercial possibilities of adaptive re-use, the federal government also undertook rehabilitation projects in several of the site's heritage buildings, and occupied the office space itself. Equally important, the federal government also helped put in place some of the necessary "soft infrastructure" - the intergovernmental structures and political and administrative cooperation and leadership so vital to the projects' eventual success.

As of mid-1988, the substantial public investment in Quebec's Vieux Port had begun to pay major dividends. The public infrastructure was essentially in place; the preconditions for substantial private investment had largely been met. And, while there had already been roughly $30M in private investment in housing and commercial projects, the district had only begun to realize its full economic potential. Quebec residents and tourists alike can reasonably expect to see the level of private sector investment (and therefore the project's vitality and activity) increase by a factor of six or seven.

Indeed, the Vieux Port experience provides a classic illustration of the potential of major urban redevelopment

projects to act as engines of regional economic development. In this connection, it is worth noting that the project is conservatively expected to catalyze over $180M in private sector investment.[15] The economic impact of the combined public and private sector expenditures at the Vieux Port will be nearly three thousand person-years of employment in the construction phase alone. An additional 2,000 person-years worth of indirect employment (manufacturers, suppliers, etc.) will also have been generated, over a seven to ten year build-out period. From the perspective of government, the Vieux Port project is expected to generate nearly $7M in incremental annual property tax revenue to the local government, as well as over $30M to the two senior governments in income taxes.[16] In short, quite apart from such projects' beneficial social and cultural impacts, their economic potential can be enormous.

While Quebec's Vieux Port project continues to evolve and is nowhere near completion, one important lesson is already clear: the importance of intergovernmental cooperation. Although the federal government has been the principal funder and sole shareholder of the Corporation, it has taken care (as it did in Montreal) to place senior representatives of the other levels of government on the Corporation's board of directors. (In the context of Quebec City, as in the case of Montreal and Toronto, intergovernmental relations take on an additional layer of complexity with the presence of a second-tier, metropolitan

government in addition to that of the City of Quebec.) Each level of government is thereby drawn into the challenges and enthusiasm of the project, and can bring to bear both financial and staff resources to complement those of the Corporation. In the case of Quebec's Vieux Port, for example, the City of Quebec funded and undertook the development of a public market, which is one of the project's chief attractions. This stands as a positive contrast to the experience of several other Canadian cities, where, as noted earlier, the absence of the local government as an active player from the outset has proved a major handicap.

Vancouver's B.C. Place

Undoubtedly the most physically ambitious of all the Canadian public urban megaprojects is Vancouver's B.C. Place. The B.C. Place Corporation was established as a provincial Crown corporation in 1981. Interestingly, the Corporation's land holdings included not only 220 acres near downtown Vancouver, but also major sites in Victoria, Whistler, and Coquitlam. It is the Corporation's Vancouver holdings, however, which have been by far the most aggressively developed and which are of greatest interest from a regional development perspective.

Upon its incorporation, the B.C. Place Corporation was given a four-part mandate: to assemble roughly 220 acres of waterfront lands on the north shore of False Creek; to construct a major,

all-weather sports stadium; to lease a major portion of the overall site to the pavilions and exhibits of EXPO '86; and to plan and implement a long-term development strategy for the entire site, which was to be vacated after EXPO. As of early 1988, the assembly of the 220-acre site had been completed, at a cost of roughly $80M. The stadium has now been built ($126M), and EXPO has come and gone. The first phase of the longer term development program is now underway, with nearly four hundred units of housing and some retail and office space completed or under construction on a 10-acre parcel.

In late 1987, however, the political environment surrounding B.C. Place changed dramatically, and with it so did the project's mandate. B.C. Place became caught up in a much broader public policy initiative affecting the entire province - the all-out privatization drive launched by B.C. Premier Bill Vander Zalm. With virtually every government asset or service on the auction block, the Corporation's prime land holdings in False Creek were an obvious and attractive target. In the fall of 1987, then-Economic Development Minister Grace McCarthy announced a three-month moratorium on development activity at B.C. Place, pending a thorough organizational review. Among the outcomes of that review was an announcement that the Corporation's undeveloped land holdings in False Creek (that is, fully 95 per cent of their holdings) were officially put up for sale - as a single package. In other words, 160 acres of prime urban land and 40 acres of

water lots on the north shore of False Creek were to be sold to a single owner/developer.

Needless to say, this was not an auction for the impecunious or the faint of heart. At the end of a lengthy and (inevitably) controversial selection process, a company controlled by Hong Kong-based billionaire Li Ka-Shing emerged victorious. The winning proposal contemplates some $2 billion in capital investment, $6 billion in spin-off investment, and over 28,000 person years of employment. The project will include over three million square feet of office and retail space, 10,000 units of housing, and over forty acres of park space.[17] The entire project (now called Pacific Place) will take roughly fifteen years to build, and will completely transform Vancouver's waterfront and entire inner city. It will be, in short, a development program of immense proportions, roughly equal in scale to that of Toronto's massive railway lands project. It will also be a project which can be relied upon to produce lengthy and acrimonious debates with the City of Vancouver's planning department, as the developers' imperatives of maximizing their commercial return have their inevitable collision with the planners' concerns for environmental quality, unobstructed view planes and the like.

Almost unnoticed in the excitement of the high-stakes auction, however, was the fact that the B.C. Place Corporation's role had been radically altered and truncated - from planner/developer/

participant to mere vendor/spectator. It will of course be impossible to compare empirically the development pattern which will ultimately result under the new privatized scenario with that which would have occurred under public ownership. This much, however, can be said with some confidence: to the extent that public concerns and objectives are brought to bear on the development at all, they will have to be pursued through the relatively weak and reactive instrumentality of the City's planning and zoning machinery. The enormous leverage and initiative which derive from land ownership will have been lost.

Thus far, the review of the current generation of Canadian urban "megaprojects" reveals that all of the projects have two overriding characteristics in common:

1. The principal and generally exclusive catalyst has been a senior level of government, almost always the federal level; and

2. The objectives of the projects have been overwhelmingly physical. There is occasional evidence of the pursuit of social policy objectives (for example, the inclusion of some "low-cost" housing in the mix at Harbourfront), but the decided tendency has been to pursue physical development.

The final urban project to be discussed here, however, displays neither of these cardinal characteristics, and it is perhaps for that reason (among others) that it serves as the most promising model for urban economic development in Canada. That project is the Winnipeg Core Area Initiative, and while it has attracted senior-level attention at such international institutions as the United Nations, the World Bank, the OECD, and the EEC, it has as yet generated surprisingly little interest from other cities in Canada, where it could far more readily serve as a model.[18]

Winnipeg's Core Area Initiative

The Core Area Initiative emerged in 1981 as both a political and a programmatic response to a constellation of economic, social, and physical pathologies in Winnipeg's declining inner city. The city's core area (covering ten square miles and housing nearly 100,000 people) had been suffering from a litany of problems common to many other North American central cities. Although declining in absolute terms, Winnipeg's core area population contained ever-increasing numbers of disadvantaged and special-needs residents. The core area's unemployment rate was double the city-wide average, and its incidence of families below the poverty line was five times the average.[19] Moreover, through the 1960s and 1970s the core area had absorbed a substantial number of native people and recent immigrants, many of whom lacked the educational and vocational skills required to compete

effectively in the urban job market. In addition, the core area's housing stock was deteriorating, and in some areas as much as 40 percent of it was formally classed as being in poor condition. Finally, the downtown proper was losing a progressively larger proportion of its retail market share to competition from suburban shopping centres.[20]

To help solve these serious social and economic problems, the CAI undertook over 1,000 individual projects in its first five-year term. Although these projects were planned and organized under a dozen discrete program headings for administrative and budgetary convenience, what united all of them was the pursuit of one or more of the CAI's three basic, overriding objectives:

- The stimulation of economic development. This was to be accomplished primarily through the focusing of public resources on a number of strategic sites throughout the downtown and inner city, where private sector investment could be catalyzed.

- The provision of employment and training opportunities for inner-city residents, particularly those from the special needs target populations.

- The physical, social, and economic revitalization of Winnipeg's declining inner-city neighbourhoods.

Conceptually, what was being attempted was one of the few practical applications of what is admittedly a rather orthodox tenet of urban planning theory: that urban problems are all interrelated and must be approached on a holistic rather than a fragmented and uni-dimensional basis. Thus physical, economic, and social problems were all to be attacked simultaneously, in as comprehensive and integrated a manner as humanly (or, at least, bureaucratically) possible. Accordingly, the Core Area Initiative designed and executed programs across a policy spectrum of unprecedented breadth, including education, employment and training, housing, community development, neighbourhood improvement, community and cultural facilities and services, small business, industrial development, heritage building recycling, and large-scale, mixed-use commercial redevelopment. It is worthy of note that the CAI was originally justified by the federal government explicitly because the project was viewed as a potential instrument for regional economic development.[21] Some of the specific accomplishments of the CAI's first five-year phase included:

- The creation and capitalization of a spin-off corporation, the North Portage Development Corporation, which is currently

constructing a $300 million, mixed-use development on ten acres of prime, publicly acquired downtown land;

- The creation of over 3,000 jobs and training opportunities for disadvantaged core area residents;

- The planning and development of $21 million in new market housing (260 units, four projects);

- The rehabilitation of over 5,000 older homes;

- The recycling of 30 privately-owned heritage buildings;

- The establishment and expansion of 140 small businesses, ranging from "upscale" restaurants and nightclubs to a small manufacturing concern operated by a recent immigrant family from Southeast Asia;

- The planning and development of 330 units of cooperative and non-profit housing (ten separate projects);

- The creation of an industrial development program which helped to establish or modernize fifteen inner-city industries;

- The completion of 140 community facilities and services projects worth over $40 million and ranging from a Chinese

cultural centre to a program to improve pre-natal nutrition for high-risk inner-city women;

- The formation and capitalization of six community development corporations, which are undertaking neighbourhood-based capital projects with a combined value of $20 million;

- The completion of a $3 million inner city education program (fifty-one separate projects, ranging from special reading enrichment programs for disadvantaged pre-school children to those designed to combat adult illiteracy);

- The development of two major new arts centres; and

- The creation and capitalization of a second spin-off, tri-level corporation, the Forks Renewal Corporation. The FRC has been equipped with a prime, 60-acre site at the forks of Winnipeg's two rivers, as well as a $27.5 million development budget. It will be pursuing a development strategy which should combine elements of Granville Island, Harbourfront, and the unique flavour of Winnipeg itself.[22]

In pursuit of this agenda and the three broad objectives which underpinned it, the CAI has directly catalyzed well over half a billion dollars' worth of private and public sector investment[23] and affected nearly every facet of the economic, social, and

physical character of the inner city. While the CAI's comprehensiveness and scope are undeniably its greatest single strength, they would be unattainable were it not for the CAI's second unique dimension - its tri-level delivery structure.

The project's $96 million budget is derived from equal contributions from the federal, provincial, and city governments. Major policy and budgetary decisions are taken under the political direction of a tri-level Policy Committee comprised of the senior regional federal minister, the provincial urban affairs minister, and the Mayor of the City of Winnipeg. Operational direction is supplied by a senior management committee with deputy minister-level representation from each of the three levels of government. (The City of Winnipeg is represented by its most senior official, the Chief Commissioner, as well as by its top planning and development official, the Commissioner of the Environment.) A fourth critical actor is the Core Area Office, whose general manager chairs both the Management group and the Policy Committee, and whose staff delivers roughly 40 per cent of the overall budget directly and coordinates the balance of the program delivery done through the various line government departments.

While not without its attendant difficulties, the integral involvement of three levels of government has provided major advantages, the most obvious of which is a multiplication of

resources. To begin with, the CAI's budget of $96 million would itself have been well beyond the financial capability of any of the three partners acting individually. In addition, the three levels of government have already invested a further $170 million in direct support of CAI projects.[24] This has allowed the CAI to focus and coordinate over a quarter of a billion dollars' worth of public spending on an integrated package of mutually-reinforcing programs. Without the CAI's central unifying focus, it is clear that much of this investment would have been either scattered and dissipated or else completely nonexistent.

The financial resources of the three levels of government have not been their only important contribution. Their staffs' technical and managerial expertise have been indispensable to the delivery of all of the CAI's programs. More important still is the framework provided by the tri-level structure for focus, cooperation, and coordination, both horizontally within each jurisdiction and vertically among the three governments. While the CAI's procedural requirement of tri-level unanimity is sometimes an exceedingly difficult one to achieve at the outset of a project, once attained it allows an impressive array of public resources to be marshalled and focused on the same target. The monthly, deputy-minister level meetings (in itself a most novel practice in Canada) help to ensure that any required complementary assistance will be provided and "red tape" cut wherever possible.

Nor is the value of a coordinated, multi-governmental strategy limited to the amplification and focusing of public resources. The CAI has already catalyzed over $280 million in private sector investment as well.[25] Initially, private developers and entrepreneurs exhibited a considerable (and perhaps well-merited) skepticism about CAI, and there was no discernible change in the investment patterns which had seen disproportionate flows of private capital to the suburbs.[26] However, after two years or so, once there was tangible and widespread evidence of the scale, and therefore the seriousness, of government's commitment, there was a demonstrable shift in the attitude and subsequently the investment patterns of the private sector. Once private investors became convinced that the CAI represented both a focused and an enduring public commitment, they were prepared to put their own money at risk. It is unlikely that any less massive, tangible, and convincing display of public policy intent would have catalyzed anything close to the present level of private investment.

The key here is focus. One of the CAI's greatest achievements has been the forging of a single, highly visible, and relatively cohesive project identity for what we have seen is an extremely diverse set of activities. Government departments and private businessmen alike have had to be convinced that there was a sufficiently focused critical mass of activity to justify further, complementary investment. Indeed, there are no fewer than seventeen government departments directly involved in the CAI, yet

under normal circumstances not one of them has the slightest organizational reason to preoccupy itself with Winnipeg's core area. This is most true of large federal departments and agencies such as Employment and Immigration Canada, the Canada Mortgage and Housing Corporation and the Department of Regional Industrial Expansion, for whom the city's core area is simply one of literally hundreds of legitimate supplicants across the country clamouring for scarce departmental resources.

Two things above all were indispensable if the CAI was to succeed, and fortunately both were forthcoming. The first and more important was the will on the part of the key politicians from the three governments to make extraordinary efforts to coordinate and focus ongoing departmental activities and spending in order to reinforce rather than dissipate the CAI's momentum. (While apparently straightforward, this is a good deal more easily said than done.) The second was the creation of a vehicle with the time, resources, and mandate to preoccupy itself exclusively with the core area. This was a special-purpose central agency, the Core Area Office, whose sole raison d'être was the mobilization, focusing, and delivery of public and private investment in the core area. In the absence of such an agency, it is quite probable that the more typical, centrifugal tendencies of both the marketplace and the government departments would have prevailed, thereby dramatically reducing the CAI's impact.

The CAI's two greatest sources of strength - direct tri-governmental participation and an extraordinarily broad program mandate - have also posed the greatest ongoing challenge to its survival. Even a casual observer of federal-provincial relations in this country can attest to their chronic difficulty and volatility. When one adds a third level of government to the mix, the potential for fratricidal conflict increases exponentially. Differing mandates, philosophies, and political affiliations create an almost limitless potential for confrontation. It has always been a supreme test of the CAI management team's mettle to minimize the damage inflicted on CAI deliberations by intergovernmental conflicts originating somewhere else entirely.

At a more fundamental level, while the CAI's programmatic breadth is one of its major strengths, it also contain the seeds of a fairly profound philosophical and budgetary tension between the imperatives of the CAI's disparity relief efforts on the one hand and those of its more commercially-oriented physical development projects on the other hand. On a programmatic level, one tangible if partial means of bridging this conceptual chasm has been the creation of a mechanism to "recycle" some of the CAI's development revenues to a new foundation, which is explicitly directed toward disparity-alleviation projects.[27] On a political level, the essence of the CAI's success has been its

ability to balance these two competing imperatives, and to do it in a way that is politically sustainable over time.

Indeed, given the vicissitudes of the politics surrounding urban development, perhaps the most telling commentary of all about the Core Area Initiative is that not only has it survived, but its term has actually been extended. In late 1986, after an extensive consultation process which revealed overwhelming and broadly-based public support for the CAI, the three levels of government renewed the program for a second five-year, $100M term. The fact that neither of the two senior governments was in power when the original agreement was signed provides an eloquent testimonial to both the political and the programmatic power of a broadly-based, intergovernmental, urban economic development initiative.[28]

Over the seven years of its existence, the CAI has shown itself to be a remarkably resilient and adaptable organism, capable of withstanding and assimilating the "policy shocks" which invariably accompany the election of a new governmental partner. Perhaps the most serious of these occurred early in the life of the CAI, with the election of an NDP provincial government in 1981, shortly after the initial agreement was signed. The NDP arrived in office with some very definite ideas about reorienting the tri-partite agreement which their Progressive Conservative predecessors had structured, negotiated, and signed. The NDP's principal aim was to shift the balance of the CAI's programming away from "bricks

and mortar" projects and towards a greater social orientation, with a stronger emphasis on "soft" program areas such as employment, training, and community and social services. Needless to say, the ability of a single partner to unilaterally reorient a painstakingly negotiated, trilateral agreement is not without its limits. Accordingly, the NDP's proposals led to some extremely tough inter-governmental negotiations, which became sufficiently acrimonious at one point that the very survival of the CAI was in considerable doubt. Ultimately, however, each level of government concluded that the economic and political benefits of preserving the overall CAI package more than outweighed any liabilities which might flow from compromises which had to be made with regard to individual program elements. As a result, a tri-level accommodation was reached which reflected the new government's priorities to a considerable degree, while at the same time preserving the overall integrity of the CAI agreement.

The latest challenge to the Core Area Initiative's political and programmatic resiliency will arise from the results of Manitoba's most recent provincial election in late April, 1988. That election saw the NDP replaced by the Progressive Conservatives, the party which, ironically, had been one of the original signatories to the CAI back in 1981. While the new government may well bring a stronger "bricks and mortar" orientation to the project than its NDP predecessor, its election is unlikely to cause any major changes in the CAI's current overall program mix.

This is so for at least two reasons. First, the renewed CAI agreement already reflects to a considerable degree the provincial Conservatives' bricks and mortar bias, inasmuch as it was an ideologically similar federal Conservative government that negotiated the renewed agreement in 1986. As a result, CAI II is already more heavily oriented towards physical projects than the initial agreement had been. There is, therefore, little reason for the new provincial government to attempt to press for changes in that direction. Secondly, as we have seen, a trilateral agreement tends to acquire considerable momentum of its own, and it is exceptionally difficult for a single partner to change its direction. To do so requires the expenditure of significant political capital and energy, which can only be justified and mobilized if the project is both manifestly unsatisfactory in its current form and a high political priority for the incoming partner.

Neither of these preconditions is applicable in the context of the newly-elected Progressive Conservative government as they were in the circumstances surrounding the election of the NDP provincial government in 1981. As noted earlier, the new government's bias in favour of physical projects has already been achieved to a considerable extent through the input of their federal counterparts in negotiating the CAI's renewed program package in 1986. Perhaps even more significantly, the new Progressive Conservative government is a much more rurally-

oriented party than the one which had negotiated the original CAI agreement back in 1981. Nearly 80 per cent of the new government's seats lie outside of Winnipeg, the province's major urban population centre (and, of course, the home of the CAI). Fully half of the new cabinet are farmers by either profession or avocation. What all this adds up to is a rurally-dominated government for whom urban issues in general and the Core Area Initiative in particular are not high political priorities. More important still, the combination of the CAI's demonstrably good political appeal and constituency and the current government's somewhat tenuous minority status has created a powerful disincentive to intervene. Accordingly, while the new government will certainly play an active role in the routine tri-level administration of the CAI, it is most unlikely to press actively for major changes in the program mix which has already been established.

NOTES TO CHAPTER 4

1 Throughout this chapter, extensive use has been made of both background personal knowledge and telephone and personal interviews of key participants. Where published sources have been used, they are expressly noted.

2 See Stankovic, "An Entrepreneurial Approach to Local Economic Development." One conspicuous exception to this general indictment is the Winnipeg Core Area Initiative, which is discussed below.

3 See Kiernan, "Urban Planning in Canada: A Synopsis and Some Future Directions." The zenith of the political opposition to large-scale urban development was reached in the early to mid-1970s. Among other things, this opposition spawned a small but lively literature. See, for example, John Sewell, Up Against City Hall (Toronto: James Lewis and Samuel) and James Lorimer (1972), A Citizen's Guide to City Politics (Toronto, James Lewis and Samuel).

4 See, for example, Barry Wellar, "Urban Assessment in Public Policy Processes: The Canadian Record," Canadian Journal of Regional Science V,1, 1982, pp. 39-65.

5 Kiernan, "Urban Planning in Canada."

6 For a functional description of Harbourfront, see Urban Land Institute, Urban Waterfront Development (Washington, ULI, 1983), pp. 111-123, and Alyse Frampton, "Toronto's Harbourfront," Canadian Geographic, 1984, pp. 63-69. For a somewhat more critical approach, consult Bruce Gates, "On the Waterfront: Battle Lines Drawn at Dockside," Financial Post, November 2, 1987.

7 See Gates, op.cit.

8 This is true for at least two reasons. First, on a purely pragmatic level, it is the urban governments which generally control the urban planning machinery with which the major projects must contend. This alone merits a serious effort to ensure that the municipal government is an active and not merely a perfunctory partner in the project. Second, on a somewhat more philosophical note, local government, as the "government closest to the people," is the one which seems to bear the greatest psychological responsibility for the project, regardless of which level of government might in fact be legally and financially responsible. The public perceives the city as the psychological locus of the urban megaprojects, and so the failure of urban governments to be seen to be

exercising effective control over the projects only contributes further to an already alarming degree of public disrespect for the quality of urban governance. (See, for example, Higgins, Plunkett and Betts, and Tindal and Tindal.) The obvious if difficult antidote to this erosion of public confidence is the assertion of coherent, dynamic, and effective leadership by local government.

9 For example, the goal of financial self-sufficiency simply may not be compatible with that of providing cultural amenities and activities, a mix of housing types for all income ranges, and plenty of public open space.

10 For a general overview of both the Granville Island and False Creek projects, see Urban Waterfront Development, pp. 174-185.

11 For a summary of both the process and the content of the most recent generation of consultations, consult Old Port of Montreal Public Consultation: Final Report. (Montreal, Government of Canada, 1986).

12 Ibid., pp.i-ii. The Committee membership included prominent Montreal businessmen as well as heritage activist and Bronfman heiress Phyllis Lambert.

13 See Canada Lands Company, Le Vieux Port de Québec, 1987, p.7.

14 Another exception to this general rule, one which we shall examine later, was the Winnipeg Core Area Initiative.

15 See Le Vieux Port de Québec, op. cit.

16 Ibid.

17 "B.C. Place Sale Agreement Reached", British Columbia Enterprise Corporation. News Release, April 27, 1988.

18 For a fuller discussion of the Core Area Initiative, consult Kiernan "Innovation, Urban Revitalization, and the Intergovernmental Dimension," and "New Directions for Canadian Urban Policy".

19 Institute of Urban Studies, 1979, Core Area Report: A Reassessment of Conditions in the Inner City. Winnipeg, p.53.

20 Ibid.

21 The CAI was explicitly justified and funded as a regional development project under the Economic and Regional Development Agreement (ERDA) System.

22 See Forks Renewal Corporation, Phase One Concept and Financial Plan (Winnipeg: FRC, 1987).

23 While economic "leverage" figures are notoriously open to errors of interpretation and judgement, a recent external evaluation estimated the CAI's leverage at over $500 million. See S. Clatworthy, An Interim Assessment of Investment in Projects under the Winnipeg Core Area Agreement (CAI Evaluation Program, March 1986). The $500 million figure becomes even more noteworthy when it is recalled that roughly 45 per cent of the CAI's budget is directed towards social programs, many of which are, almost by definition, incapable of generating significant private investment.

24 Ibid.

25 Ibid.

26 The decade prior to the core Area Initiative was a period of rapid suburban expansion in Winnipeg, to the considerable detriment of the economic and social health of the inner city. During that decade, the inner city rarely accounted for more than 13 per cent new housing construction, and the vast majority (84 per cent) of that was public or non-profit rather than private-sector housing. (Sources: E.A. Levin, "Winnipeg's Inner City: Development Initiative Study." Prepared for DREE, July, 1980, p.8., and CMHC data "Housing Starts, Completions, and Under Construction." Custom computer printout, July 5, 1988.) On the retail side, the proliferation of four regionally-sized suburban shopping centres and the ascendancy of the suburban strip mall phenomenon combined to severely erode the downtown's historic role as the focus of the City's retail trade. This centrifugal flight of private capital to the periphery had reduced the downtown's share of the metropolitan area's retail market share from 37 per cent in 1961 to less than 18 per cent by 1981, when the Core Area Initiative got underway. (Source: Institute of Urban Studies, Downtown and Regional Shopping Centre Retailing in Winnipeg. Winnipeg, 1985.)

27 This policy instrument is intended to ensure that at least some of the CAI's "soft" socio-economic programs outlive the CAI's second five-year mandate and funding base. The new foundation will be expected to generate project funding from three sources: interest on its initial capital base, investment income, and revenue from the CAI's share of development revenues from its more commercially-oriented joint ventures with private developers.

28 The initial CAI was signed by a Liberal federal government, a Progressive Conservative provincial government, and the City of Winnipeg. It was renewed by a Conservative federal government and a New Democratic provincial government.

5 CONCLUSIONS: NEW STRATEGIES AND FUTURE DIRECTIONS

Perhaps the single most important conclusion to be drawn from the preceding assessment of both the international and Canadian experiences is the overwhelming importance of urban development to the health of regional and even national economies. What is more, this is an importance which can only be expected to grow over time, as western countries move more fully into the societal transformation from an economy based primarily on industrial production to one based on knowledge, information, and services.[1] In short, policy-makers in future will have little choice but to acknowledge the connection between local urban economies and those at a regional and national level.

Placing this general proposition within the more specific context of the long and lively Canadian debate over regional development policy, the present study concludes that what is currently required is nothing less than an entirely new intellectual, political, and programmatic approach to regional economic development. It is an explicitly and unabashedly urban-centered approach, and it rests upon four fundamental and straightforward propositions:

1. That urban economic activity already accounts for a substantial if largely unrecognized percentage of Canada's gross domestic product;

2. That this percentage can only increase as international economic developments accelerate Canada's transition from a manufacturing-based to a knowledge and service-based economy;

3. Accordingly, that urban areas can and must become more explicit foci of any realistic Canadian regional economic development strategy. Demographic and economic indicators, both in Canada and internationally, suggest overwhelmingly that urbanization will remain an exceptionally powerful phenomenon well beyond the turn of the century.

4. That urban-based economic development initiatives must be tailored to the particular circumstances of each urban region. Every city's economic, political, social, and institutional infrastructure is unique, and must be treated accordingly when officials are devising new urban strategies.

The new model whose outlines we attempt to sketch here does admittedly pose major challenges to a number of entrenched practices and mind-sets. It will require, for example, a fundamental rethinking of the roles of all three levels of government, most particularly at the local and federal levels, and it contemplates what will in many cases be entirely new relationships among and between governments, community groups,

institutions, and the private sector. But the task, though difficult, is achievable.

To say this is by no means to abandon the non-urban regions to a fate of inexorable decline; indeed, there is evidence which suggests that the improved performance of the urban economies also has salutary effects on the regions to which they are economically and spatially linked.

This said, however, just what sorts of urban initiatives would seem to have the brightest prospects for success? In order to begin to answer this question, we must first attempt to anticipate the nature of the institutional and political environment within which any new economic development initiatives might be launched. That environment is likely to have at least five salient characteristics:

1. A greater degree of inter-governmental collaboration than has heretofore proved the case. Individual levels of government simply will not have the financial resources to launch unilaterally the sorts of projects which were undertaken in the 1970s and early 1980s.[2]

2. The ever increasing financial participation of the private sector, as a direct consequence of government's decreasing capacity to carry the financial burden.

3. Increasingly vocal demands by the urban electorate that major projects fulfill socio-economic as well as physical objectives.[3]

4. A greater political onus upon <u>local</u> governments to play a lead role in urban economic development, and a greater willingness on their part to accept this responsibility and adopt a more proactive approach.

5. The ownership of a continually increasing proportion of our urban resources by foreign-based corporations (two outstanding examples of this phenomenon are Vancouver and Toronto).[4] This creates an additional and considerable challenge for local governments seeking to exert broader and more active control over their urban environments.

If one combines an historic, retrospective analysis of part urban experience in Canada (and other industrialized western countries) with the foregoing attempt to discern the outlines of the political/institutional environment with which any <u>future</u> initiatives must contend, it becomes possible to suggest some criteria by which the next generation of successful urban projects might be judged:

1. The local government must play a major role. This need not mean that local governments must actually initiate the

projects, but they must be aggressive participants in terms of decision making, finance, and (most important) in terms of leading public opinion. Local governments have a tremendous and largely under-utilized political resource: the legitimacy and power that flow from being "the government closest to the people". It is an advantage which can and should be better exploited.

2. The federal government must play a major role as well, but ideally it should be a primarily facilitative rather than prescriptive one. As we have argued previously, the substantive content of each major urban initiative is generally best determined locally rather than by the central government. Federal government involvement should focus on supporting and enhancing local initiatives, rather than attempting to transform these initiatives into instruments of federal policy.

3. Intergovernmental cooperation is imperative. Although intergovernmental processes are difficult and often time-consuming, they nonetheless create the potential to marshall and focus a prodigious array of financial and human resources.

4. Effective mechanisms must be found for encouraging and integrating citizen participation in the project. This

provides another means of ensuring that the project is fully sensitive to local needs priorities, and opportunities, and in some cases has the further advantage of relieving government of some program delivery responsibilities.

5. Urban initiatives should be as conceptually broad and comprehensive as can realistically be supported by the available financial and organizational resources. Programs such as Winnipeg's Core Area Initiative, which combine a multiplicity of objectives and interventions (over 1,000 in total), tend to be far more effective and synergistic than the uni-dimensional approaches which have, regrettably, been far more common.

6. The program content should ideally attempt to achieve a politically sustainable balance between commercially-oriented efforts on the one hand and those targeted at reducing socio-economic disparity on the other. In practice, this often translates into attaining a balance between "bricks and mortar" projects and investment in human resource and social development.[5] The precise balance may be arrived at in any individual project will, of course, be reflective of the particular political circumstances of that time and place.

7. Generally speaking, the projects should be implemented, at least in part, by a special-purpose agency or corporation.

The creation of a special vehicle, free of the diffuse day-to-day responsibilities of the ongoing government departments, is usually necessary to create the requisite degree of focus and commitment.[6] The staff of these special-purpose agencies must be committed (if not fanatical), and they must be allowed to avoid formal structures and excessive bureaucratization to the extent possible.

8. Urban initiatives should be unapologetically experimental and alert to emerging opportunities. It will be more productive to experiment widely, trying a number of different approaches simultaneously on a small scale rather than putting all the programmatic eggs and financial resources in a single basket. This is particularly true in the areas of social services and human resource development.

9. A corollary of the preceding point is that project funding should be kept as flexible as possible. It is utterly impossible to foresee at the outset of the redevelopment process all of the opportunities which will present themselves over a five or ten year period. Programs and financial structures should, therefore, be kept as fluid as possible, in order that opportunities can be seized as they arise, and programs which are

manifestly unsuccessful can be discarded or de-emphasized.

10. The private sector must play an active and aggressive role if future projects are to reach their economic potential. In practice, this will mean the sorts of public/private sector partnerships which have characterized all of the major Canadian projects to date. Once again, future partnerships will require an exquisitely difficult balance between the imperatives of private profitability and the attainment of public objectives.[7]

11. Actual administrative responsibility for individual program elements should be pushed as far "down" the administrative chain as possible, and should rest as close to the program's user groups as possible. Not only does this tend to produce more responsive and sensitive programs, but the social and organizational development arising from discharging these new administrative responsibilities is an additional major benefit to the community organizations.

12. The extraordinarily strong temptation to "oversell" a project at the outset should be resisted. Major physical projects take literally years to conceive, plan, negotiate, design, and build. Conversely, the projects which can be mobilized

relatively quickly, such as training or social service projects, tend to be invisible to the general public and therefore of little immediate public relations value. This being the case, it is crucial to both the real and the perceived success of the projects that public expectations not be raised to unrealistic levels at the outset.

13. Last, but perhaps most importantly of all, the projects will require <u>leadership</u>. While our experience suggests that the projects will require different types of leadership at different stages in their evolution, they will require at all times some individual or group to supply the vision, energy, and determination necessary to keep the project's momentum going.[8]

In future, it will be the idiosyncrasies of time, place, and intergovernmental chemistry which will determine whether this crucial leadership comes from government, business, or the community. All that is certain is that, without determined and courageous leadership, it will be impossible to fully galvanize the enormous economic and human potential of Canadian cities.

What is more, give the inextricable nexus between the economic health of cities and that of nationals, the consequences of

failing to do so will be enormous. Jane Jacobs puts the case starkly but effectively:

> "Societies and civilizations in which the cities stagnate don't develop and flourish further. They deteriorate."[9]

NOTES TO CHAPTER 5

1 See D. Cohen and S. Shannon, The Next Canadian Economy (Montreal: Eden Press, 1985). For a brief but incisive assessment of the implications of that economic mega-shift for Canadian regional development, consult B. Lesser, "A Chance for the Disadvantaged," Policy Options (December, 1986), pp. 32-33.

2 Kiernan, 1987.

3 In addition to the recent Harbourfront experience, Winnipeg's Core Area Initiative provides a more rigorous empirical basis for this assertion. A 1984 Gallup-sized public opinion survey was undertaken, drawing its sample equally from both core area and non-core populations. Fully 82 per cent of the respondents favoured the continuation of the CAI's social and physical approach for a further five-year terms. (See Results Group, Public Attitudes and Perceptions Concerning Core Area Redevelopment. Winnipeg (March 1984). A year later, when formal public hearings were held on this same question, the CAI's three governmental masters received over 100 submissions, all of them urging the continuation of the CAI. The true enormity of the political potency of the CAIO is revealed when it is recalled that these submissions came from a real diversity of groups, ranging from the Chamber of Commerce to the Manitoba Anti-Poverty Organization and the Indian-Metis Friendship Centre.

4 According to Brian Milner, writing about the culture shock suffered by Japanese managers and their families when those managers are assigned to Canada, the Toronto area is now referred to as the Canadian headquarters of Japan Inc. It hosts 152 Japanese companies, including 11 banks. See Milner's "Strangers in a Strange Land" in Report on Business Magazine, May, 1988, p. 64ff.

5 This dilemma is by no means confined to Canada. On a recent speaking trip to Israel, one of the authors discovered it to be the central question confronted by an ambitious urban revitalization effort in that country.

6 Having said this, the creation and operation of these arm's-length organizations raises the ubiquitous question -- how long should the arm be? It requires extremely fine balance to give the public corporations just enough autonomy so that they can get on with the job, but not so much that their political masters consider them out of control and begin reeling them in. The same applies at the appointed officials' level. Since one of the virtues of the multi-governmental approach is the

availability of staff resources from the line departments it would be most unfortunate for them to view the public corporation as an alien and hostile entity. Yet this can very easily happen, as the Harbourfront experience demonstrates.

7 See Kiernan, 1987.

8 In cases such as Granville Island and the Core Area Initiative, for example, leadership was forthcoming initially from powerful federal cabinet ministers (Ron Basford and Lloyd Axworthy, respectively). Once the project ideas became more firmly rooted locally, however, project leadership (and, importantly, "ownership") became more widely diffused, and the ministers were able to withdraw to a less interventionist, more strategic role. In future, if our analysis is correct, it may be that it will be members of the local government who perform this proactive leadership role.

9 Jane Jacobs, 1984. Cities and the Wealth of Nations: Principles of Economic Life, p.232.

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